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FEBRUARY 21, 1994 \$2.95

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08

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CANADA'S WEEKLY NEWSMAGAZINE

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FOR THE RECORD: David Williams and George of the Week. (Continued on page 71) See LAST PAGE: Michael A. Smith. On: ADP 350. Publication: 1994/02/21/08.

The winner

10 Confronting its first political crisis—how to stamp out the billion-dollar trade in illicit cigarettes—the Chrétien government produced a plan that managed to irritate nearly everyone. A story that ran on cigarettes by the federal and Quebec governments drew the ire of several premiers, while antismoking groups warned that the move would encourage more teens to smoke.



Let the medals begin

40 In danger of becoming a quiet sideshow to the Tonya Harding-Nancy Kerrigan affair, the 17th Winter Olympics finally opened last week in Lillehammer. Flag bearer Kurt Browning led the most star-studded Canadian contingent ever as the Games turned to the business of skating, sliding and awarding medals.



The NATO ultimatum

24 Spurred to action by the Feb. 5 mortar attack that killed 68 civilians in Sarajevo's main market, the 35-nation North Atlantic Treaty Organization warned Serbian forces to pull back from the city by Feb. 21 or face air attacks.



¹⁰ Ψ_{12} and Ψ_{21} are suggested names of choice. ¹¹ *Engelwood, County High School of Science, Science Department, 7700 Greenwood*

OPENING NOTES



The postman rings once

Ever slow to let his job as Canada Post's national director of customer service in 1998, Bruce Cohen, leader of Postal Marketing Consultants, has been a thorn in the side of his former employer based in Burlington, Ont. Cohen acknowledges and provincial governments, including the Ontario legislature, on ways to lower their mailing and courier costs. In November, he began sharing his expertise with a wider circle by launching Cohen's Postal Centre, a newsletter printed by Cansell Publishers. For an annual fee of \$160, it offers 10 bulletins of news, forecasting and advice on a variety of Canada Post services—Lettermail, Airmail and Xpresspost among them. And to back up his advice, Cohen frequently refers to the corporation's own Postal Guide. But Cansell Post, it seems, is not returned. In a Jan. 30 letter from Ottawa lawyers Stuart & Riggall, the corporation accused Cansell of infringing on its copyrighted words and trademarks. Threatening legal action, the lawyers demanded the immediate cessation of the newsletter, including the destruction of all copies and profits within 31 days. Canada Post, by the way, is one of Cohen's competitors: it has spent millions to launch its own postal consulting business, Canada Post Systems Management Ltd. Meanwhile, Cansell has hired its own trademark lawyers. And the third arm of Cohen's Postal Centre is due out this week, providing the inside dope, from secret Canada Post records, on this year's postal rate increases. It appears that the newsletter has been burned—but not hot.

WORD FOR WORD

'The HIV world'

Clara Szwargard died last July, only days before a London, Ont., court was scheduled to rule on whether he was guilty of criminal negligence for his sexual practices. In his note the *Ottawa Citizen* (Szwargard) told three times within 100 words the story that costs \$200. From late 1989 to 1991, the 40-year-old Szwargard had sex with the three women—and never told them that he carried the virus. During much of that period, Szwargard was under a public-health order not to engage in intercourse. And with it, his decision on an application, from one of the women, Ontario's General Inquiries Compensation Board ruled that she was entitled to \$15,000 as a victim of a crime. (The largest compensation available under the government-funded program is \$25,000.) The women now suffer from AIDS and, in Szwargard's words, live "in a state of fear, in the one-man, one-woman" world that he has been judged responsible for her tragedy. *Excerpt*

The applicant is a mature, well-educated professional who could reasonably be expected to know the potential consequences of engaging in unprotected sex. She did know it and she was not to be seen on the last occasion of sexual intercourse and the did ask [Szwargard] if he had any disease. Furthermore, she became infected she insisted that he use a condom. Yet in

the written she engaged in unprotected sexual intercourse with him.

The board does not consider it reasonable to estimate one's life to an almost complete stranger on such a brief acquaintance. Given the dangers of unprotected sexual activities, a reasonable person would refuse a much longer period of trust building. Furthermore, the board does not consider it sufficient to simply ask a sexual partner for an HIV test.

The board does not conclude the behaviour of the alleged offender, but in the HIV world in which we all find ourselves living today, it is the view of the board [that] each person must accept some responsibility for the consequences of unprotected sexual intercourse.

The applicant's behaviour as a participant in unprotected sexual intercourse was behavior which contributed to the injury she sustained.

However, the board, as a court, is not required to consider it relevant to recognize that the consequences have been overwhelming; that the applicant is suffering with life-threatening AIDS and has a very limited life expectancy. The board will therefore order payment of \$15,000 for pain and suffering... Under the provisions of [the Compensation for Victims of Crime Act], the board is prepared to consider a variation of this order to cover up to \$5,000 for legal expenses.



Szwargard's responsibility



Paul Reichenow, Stewart (right) the writer is still living

A chilling tale

He is not one to back away from a fight. But Toronto writer Walter Stewart felt he had little choice when it came to exposing *The Big to Bed*, his new book about the rise and fall of Olympia & York Developments Ltd. (OYD). Even though the real estate development company controlled by Toronto's Brachmans family laid off his journalistic protection in 1990, the family remains force to be reckoned with. OYD's Stewart's publisher, McClelland and Stewart (M&S), thought

so. Stewart's manuscript delved into the Brachmans family history—a tricky area, to say the least. In 1986, in one of Canada's most expensive and most celebrated bid cases, the Brachmans won Toronto's bid to build the new airport. Stewart's manuscript delved into the Brachmans family history—a tricky area, to say the least. In 1986, in one of Canada's most expensive and most celebrated bid cases, the Brachmans won Toronto's bid to build the new airport. Stewart's manuscript delved into the Brachmans family history—a tricky area, to say the least. In 1986, in one of Canada's most expensive and most celebrated bid cases, the Brachmans won Toronto's bid to build the new airport.



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Shaking the movers

Politicians are hardly renowned for forethought, but they do have long memories. And in the recent shock of the province's election, it's likely to be a long memory for a few power players in Ottawa. Chief among them is the former Deputy Prime Minister Brian Mulroney, who was on the top of the list to be named as the new Deputy Prime Minister. Mulroney, who was on the top of the list to be named as the new Deputy Prime Minister. Mulroney, who was on the top of the list to be named as the new Deputy Prime Minister. Mulroney, who was on the top of the list to be named as the new Deputy Prime Minister.

PASSAGES



Joseph Côté, a former diplomat, was named as the new Deputy Prime Minister. Côté, who was on the top of the list to be named as the new Deputy Prime Minister. Côté, who was on the top of the list to be named as the new Deputy Prime Minister. Côté, who was on the top of the list to be named as the new Deputy Prime Minister.

Actor Joseph Côté, 56, who made his movie debut in the 1980s, was named as the new Deputy Prime Minister. Côté, who was on the top of the list to be named as the new Deputy Prime Minister. Côté, who was on the top of the list to be named as the new Deputy Prime Minister.

Chenot's therapy treatment for Jacqueline Kennedy Onassis, 64, to combat her husband's symptoms, a treatable form of cancer, in New York City where she lives. Her representative said the prognosis for recovery is excellent and that the treatment has not interfered with her work as a senior editor at Doubleday Publishing.

DeVito to enter Canada to deliver a lecture in Toronto, by the Canadian consulate in New York City, on the grounds that DeVito, who is a Canadian citizen, is a member of the Canadian Olympic team. DeVito, who is a Canadian citizen, is a member of the Canadian Olympic team. DeVito, who is a Canadian citizen, is a member of the Canadian Olympic team.

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BEST-SELLERS

FICTION

1. *The Stone Man*, Carl Hialey (2)
2. *Diagnosis*, Michael Crichton (2)
3. *The Bridges of Madison County*, John Updike (3)
4. *Accident*, Joseph Smith (3)
5. *Wagon*, David Copperfield (3)
6. *Play the Cards as They Lay*, Andy Doyle (3)
7. *The Father*, David Copperfield (3)
8. *Hotel Paris*, John Updike (3)
9. *The Secret Garden*, Frances Hodgson Burnett (3)
10. *Only a Fool*, David Copperfield (3)

11. *Reverend and Company* by Peter Biskind

NONFICTION

1. *Apprentice Boy*, Vladimir Alexandrov (2)
2. *Memories*, John Updike (2)
3. *Women Who Run with the Wolves*, Clarissa Pinkola Estés (2)
4. *The Hidden Life of Dogs*, Elizabeth Thomas (2)
5. *How to Live*, Norman Mailer (2)
6. *The Last Book You'll Ever Read*, Frank Zappa (2)
7. *Remembrance of the Light*, John Updike (2)
8. *The Secret Garden*, Frances Hodgson Burnett (2)
9. *Only a Fool*, David Copperfield (2)
10. *Wood and Whimsy*, Michael (2)

POP MOVIES

Two movies in Canada, ranked according to box office receipts during the seven days that ended Jan. 27. (In brackets, number of screens/weeks showing.)

1. <i>Am. Werewolf</i> (17/17)	\$1,000,000	6. <i>Big</i> (17/17)	\$270,000
2. <i>Mr. DeMille</i> (17/17)	\$600,000	7. <i>Interview</i> (17/17)	\$270,000
3. <i>Philadelphia</i> (12/12)	\$400,000	8. <i>Mr. Bean</i> (17/17)	\$270,000
4. <i>My Father</i> (17/17)	\$400,000	9. <i>Grumpy Old Men</i> (17/17)	\$270,000
5. <i>Schindler's List</i> (17/17)	\$415,000	10. <i>Iron Will</i> (17/17)	\$270,000

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What Matters to Canadians?

COLUMN



Buyer beware when it comes to mutual funds

BY DIANE FRANCIS

The rush is on to meet the March 1 deadline for registered retirement savings plan contributions. Like they did during Blackline days, Canadians are pouring in gold by switching their money to mutual funds from low-interest, government-insured bank deposits. Many are doing so with adolescent haste and have not carefully researched what they are getting into. SRI often make the switch without being sufficiently informed, due to some gaps in the regulation of mutual fund sales compared with the direct sale of stocks or bonds.

While mutual funds have proven to be, on average, a good long-term investment, they are now the hot investment. People have been flocking to seminars about these and flocking to bank counters to buy balanced-growth mutual funds. Like any speculative boom, word-of-mouth has proven to be the best and fastest informant. And word has spread that investors in certain Canadian mutual funds in 1992 made a net, gaining more than 500 per cent with a year.

On average, gains among funds invested in Canadian equities increased by an incredible 34.5 per cent last year, while those invested in international equities did rather better at 36 per cent. Meanwhile, Canadians who tied up their capital in regular deposits as banks probably did not even beat the rate of inflation last year.

Interestingly, this latest gold rush is not restricted to Canada. It is a worldwide phenomenon, a sort of global glacial group-think that is based on the fact that the world's wealthiest countries have locked in profits. The result of sweating down profits has been that governments and their central banks in the 1980s also wrestled down interest rates. Now, throughout the industrialized world, rates are so low so they have been in decades and bank customers are earning piddling amounts for their bank deposits. So investors in Japan, the United

There are too many funds taking advantage of the fad and too little regulation monitoring sales techniques

States, Europe and Canada are reaching to stock markets directly or through mutual funds on a massive scale.

It is estimated that some \$4 trillion worldwide is now invested in less than thousands of funds. There is roughly \$5 billion invested in more than 4,000 funds in the United States alone, more funds than there are stocks listed on its biggest stock exchange, the New York Stock Exchange. Not surprisingly, this massive trend has spawned an industry south of the border and elsewhere of mutual fund shares, analysts, newsletters, seminars, books and sales forces.

Canada lags behind the United States in terms of mutual fund investment per capita, but is practically catching up. More than \$115 billion of Canadian savings are now invested in nearly 600 mutual funds. Fueling this is the fact that gains in Canada on average last year, have surpassed those south of the border because our major stock market, the Toronto Stock Exchange, has outperformed theirs.

Many wonder whether this mutual fund bubble will eventually burst and end with drastically collapsed values. To be sure, since that a collapse is imminent is an exaggeration

as are promises that funds will never come to increase in value. By far the biggest concern should be that there is too little understanding among consumers about funds, too many coming on-stream taking advantage of the fad, and too little regulation monitoring sales techniques or the promotion and selection of certain types of funds.

In my travels across Canada during this season, I have heard many investors say that buying one fund is much the same as buying another. Nothing could be further from the truth. Selecting funds is more complicated than selecting a vehicle where there are hundreds of options, sizes, weights, engine, consumption rates, colors, patterns, financing terms and other variables to weigh. Buyers also must compare track records over a number of years and analyze competitors. With funds, there are other complications such as the cost of sales commissions (called variously front-end load, back-end load or no-load funds) or of annual management and other fees.

Most importantly, many investors simply do not understand that funds will never come to climb in value forever as does interest compounded on capital in a bank account. Besides all that, bank deposits of up to \$60,000 are 100 per cent insured by the government of Canada, but many people don't realize that mutual funds (even those invested in government bonds) are not insured by anyone because they are securities, not deposits. Hypothetically, investors can lose everything.

Funds are self-regulated from an appearance viewpoint. They are audited and must give new buyers a prospectus plus semi-annual reports. Unfortunately, some fund salespeople don't emphasize the risks or the need for independent analysis. That is because not everyone selling mutual funds is as well-trained or closely supervised as those selling stocks and bonds in licensed brokerage firms. Anyone selling mutual funds in Canada must pass an exam and be licensed, but they are not as well policed as stockbrokers.

Another troublesome area involves the sale, as mutual funds, of the small, but growing number of labor-sponsored venture capital funds. Unfortunately, generous federal and provincial tax credits are encouraging the sale of these funds to the general public, even though the funds are only allowed to have 10 per cent or less of their capital tied up in illiquid investments (long-term investments, not readily sold). But these labor funds have no limits on illiquid investments and often invest heavily in development purposes — not solely to maximize profits for fund investors.

Even for those of us who understand the risks, few have escaped fund fever. But funds are only a good idea if thoroughly understood and researched. They are not for the faint of heart and the recent run in the Raskinville but the rush continued nonetheless.

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PACK OF TROUBLE

The tax on cigarettes and tobacco should be greatly reduced. All smokers know that, more than ever before, tobacco is being smuggled into this country. This is largely due to the extremely high price of cigarettes because of the heavy taxation on that commodity.

—Quebec Liberal MP Hector Dupuis, speaking in the House of Commons on Nov. 26, 1993

When Jean Chrétien's ministers blamed him for former Liberal prime minister Louis St-Laurent during last fall's election campaign, a shared willingness to cut tobacco taxes in the face of widespread civil disobedience was not what they had in mind. But there are striking similarities in the way that Chrétien and Saint-Laurent confronted an issue that threatened, at various times, to make a mockery of the law—and to split the governing party and the nation along regional lines. On April 13, 1951, Saint-Laurent's government increased the excise tax on cigarettes by three cents per package, driving the price of a pack of 20 up from 35 cents to 48 cents. Almost immediately, there were reports of a flourishing black-market trade in cheaper American cigarettes. By November, many of the party's own MPs, including Dupuis, were publicly growling. By December, Finance Minister Douglas Abbott acknowledged that cigarette smuggling was widespread and that in the case of tax increases, "one can run into the law at diminishing returns." By April of the following year, the government re-

voked the increase—and the black-market trade dropped dramatically.

In the seemingly simpler, kinder nation that was Canada 51 years ago, that solution worked. For Chrétien last week, as his three-month-old government faced its first real political crisis over a series of measures aimed at stamping out cigarette smuggling, the only certainty was that it had managed to irritate nearly everyone. Antismoking groups, health-care groups and many nonsmoking Canadians were the most angered by the government's decision to cut federal taxes on cigarettes by 85 a carton, along with offering to match further cuts by provinces to a maximum of \$20 a carton.

Ottawa's change in cigarette policy touched off Chrétien's first major political crisis



Buying cheap contraband cigarettes in Quebec's overnight, prices dropped from \$47 to \$23



the result overnight, cigarettes in Quebec dropped from \$47 a carton to \$23. That led, predictably, to angry suggestions that many Canadians—in particular, teenagers—who had regarded high prices as a deterrent to smoking will now have one less reason to resist temptation (page 14). And, at a time when Ottawa is supposed to be engaged in silent war on an anticipated \$15-billion annual deficit for this fiscal year, those tax cuts will deplete it of an estimated \$430 million in revenue.

At the same time, tobacco companies were annoyed by other measures in Ottawa's plan: a new report tax on cigarettes of 85 a carton; an additional net-of-a-consumers' profits; and new anti-smuggling measures such as tighter restrictions on selling tobacco to minors. There was also a little-known, vaguely worded but potentially onerous and expensive requirement to label individual cigarettes so as to "clearly differentiate [those] manufactured for domestic and export markets." One tobacco industry lobbyist said it could be "a logistical nightmare if we have to start printing symbols on every cigarette."

Other aggrieved parties included native leaders. They bristled at the notion that their people were being cited by some politicians, including members of the Bloc Québécois and the Reform party, as the biggest culprits in the flourishing smuggling business. That, however, was backed up by RCMP Commissioner Norman Inkster's assertion last week that more than 75 per cent of the contraband cigarettes sold in Canada enter the country through a single reserve—the Akwesasne Mohawk reserve, which straddles the Canada-U.S. border near Cornwall, Ont. (page 14). Meanwhile, many political leaders outside Quebec—and most prominently, Ontario Premier Bob Rae—launched Chrétien and Quebec Premier Daniel Johnson for mandating nationwide measures far in excess that many are in precisely a Quebec problem. Declared Rae, after the tax cut was announced, "This is just not the way we run Canada."

More than that, though, this is the way Canada runs: angry, public, federal-provincial disputes, provinces arguing against each other, and even admissible alien at each other's throat. By week's end, only Quebec and New Brunswick had cut their provincial taxes on cigarettes. But Ontario, despite Rae's protests, will be under tremendous pressure to follow suit quickly. After Rae suggested that he was not convinced by Ottawa before the tax cuts were announced, Chrétien said that that was not the case, and accused him of playing "cheap politics."

In fact, Rae was made aware of Ottawa's plans in advance, although federal and Ontario officials after dissent

version of whether he said he approved its key points. After the package was made public, she acknowledged that he might have left the clause, but to search Quebec's coast. As both the premier and his health minister, Hugué Gauthier, observed, the federal redraft means that cigarette smuggling, which previously took place on a north-south basis between the United States and Canada, will now operate instead between Quebec and other provinces that do not impose provincial taxes on tobacco. What hears of Chrétien's announcement, hundreds of Ottawa smokers were lined up outside stores selling tobacco in neighboring Hull, across the Ottawa River in Quebec, to get up almost all their nicotine stock of cigarettes for \$26 a carton less than what they could pay on the Ottawa side. Said one of those, St. Lawrence University of Ottawa law student David Goss: "You can't possibly expect an average smoker to buy cigarettes in Ottawa."

For now, the average smoker in other provinces seeking similar price relief is likely to be every bit as disappointed. Presumably, answers to Chrétien and they expect a "domestic effect," with provinces cutting their taxes one by one as they gradually work their neighbors across. But the tough toll by some provinces suggests that they will not

capitulate easily. Nova Scotia Premier John Savage, for one, appeared undeterred by the threat of neighbors. Nova Brunswick, which has a 200-kilometer border with Quebec, is reducing its taxes, thereby lowering the price of a carton from \$49 to \$30. In order to stave off smuggling of cigarettes from Nova Brunswick into his province, Savage, a physician by training, said Nova Scotia is looking at tougher policing measures, including searching vehicles at the provincial border. As well, he said, the province might raise its own cigarette taxes by the amount of the federal cut—wiping out the price advantage.

Manitoba Premier Gary Filmon, whose province would face the same cross-border dilemma if Ottawa cuts taxes, was considering a similar tax increase. And in British Columbia, Health Minister Elizabeth Cull and Finance Minister Paul Ramsey warned that Ottawa, "by breaching the likelihood of provincial tax differentials... will create a new problem: interprovincial smuggling." B.C. officials later said their government will not change its taxes on cigarettes. Naturally, both the RCMP and Canada Customs announced plans to step up their anti-smuggling measures. Liberal pollsters in Ottawa that has force already has 300 people working on tobacco smuggling, and will double that number. The RCMP will also set up mobile response units in Ontario, Quebec and Nova Brunswick and use special marine patrols to intercept smuggled goods. And Canada Customs will have 350 additional officers and spend an extra \$45 million a year to step up smuggling at border points.

Ironically, one place where the Liberals did not run into too much opposition was in the House of Commons. The Opposition Bloc Quebecers, which has made fighting tobacco smuggling one of its main issues since the start of the current session on Jan. 17, largely contested it will bring credit for its role in shaping the Liberal decision. That is no small claim, because of the popular terror that the serious concern generated in Quebec. By tobacco industry estimates, 84 per cent of adult Quebecers are smokers—the highest percentage in Canada and significantly above the national average of 26 per cent. When Quebec store owners announced several weeks ago that they would sell cigarettes at out-of-state prices, their decision was well-served public approval. Even a Reform Canada press applauded it as "brilliant but not innocent."

Biform MPs are more divided. Their conservative, western-based caucus in turn lo-



Living up near Montreal: Ottawa expects other provinces will have to cut prices

town those who favor tax cuts as a matter of principle, and those who sought the government's aid to Quebec interests at the expense of the rest of the country. Chrétien attempted to ward off such accusations by stressing that cigarette smuggling had become so widespread that "it is now a national problem, requiring a national solution." Partly because of the dilemma in his mind, Reform Leader Preston Manning once contended during Question Period an issue on which his MPs are in full agreement: pushing the government to ensure that as few reserves are not exempt from police efforts to control smuggling.

In fact, the Liberals are particularly sensitive about that area—and with good reason. The government fears that, ultimately, any misadventure of the new risks stirring up anti-Quebec sentiment in the rest of the country and anti-native sentiments within Quebec. What Quebec, relations between natives and police and government officials have been especially strained since the 1990 Oka crisis, which resulted in the shooting deaths of a Quebec provincial police officer. Another, less-discussed cause of tension is that most native people in Quebec speak English, rather than French, in addition to their own languages. That adds to the confusion and communication difficulties that often characterize relations between natives and francophone Quebecers. It also means that in selling their anti-smuggling programs to the public, the Liberals had to perform a delicate double-balancing act. The object, to persuade ethnic Canadians that Quebecers are not the principal beneficiaries of the new measures, but to convince Quebecers that natives are

not the principal victims in smuggling cross-border cigarettes.

But even before he began his public relations odyssey, Chrétien first had to conduct an intensive sales pitch to a doubtful and sometimes skeptical party caucus. Liberal sources say that Chrétien himself was not over during last fall's election campaign to the belief that any crackdown on smuggling must be accompanied by a tax cut. The same argument, said one Liberal source, was when he wanted to cut interest in his house loan of \$750,000, Quebec, who brought to the Prime Minister that he had bought both his cigarettes and his liquor on the black market. At that point, said the Liberal, Chrétien

"realized that smuggling had acquired moral acceptance, so that police action alone would not be enough."

After the Oct. 26 election, law enforcement officials, including RCMP Commissioner Létourneau, stressed that he felt by telling Chrétien that law-enforced anti-smuggling measures could succeed only if they were accompanied by a tax cut. Within the Liberal caucus, Finance Minister Paul Martin was an early supporter of reduced cigarette taxes—despite the near 1/2-billion-dollar revenue loss. Other backers included MP from Ontario tobacco-growing regions, led by Ministerial/Minister, MP Robert Spiller, as well as Don Ewen (Toronto/Burlington) and Don Boudreau, whose constituency in eastern Ontario includes the Algonquin reserve and has been among the hardest hit by smuggling. But the idea was strongly opposed by other Liberal MPs, including Winnipeg's Roy McCarroll and Vancouver's Jody Fry, who are both physicians, and Health Minister Diane Marleau, and Peterborough MP Peter Adams. They finally allowed themselves to be won over, said one Liberal MP, because Chrétien, speaking in Canada, "made it clear to everyone that this was not a tax cut that was suddenly appearing in law permanently."

Perhaps more surprisingly, there are indications that tobacco industry representatives are themselves divided on how best to protect their own interests. Three companies control almost all the domestic market. Imperial Tobacco, owned by Macdonald-based Inco Ltd., controls about two-thirds of the legal domestic market. But only about 40 per cent of smuggled cigarettes are produced by Imperial Tobacco, as a result, the company has a strong commercial interest in selling cigarettes on the legal market, and thus was the most aggressive proponent of tax cuts. Imperial was also, tobacco industry sources say, the strongest opponent of an export tax on cigarettes because such a tax would hit harder than its own restrictions. In addition, the new tax, besides legal, mostly owned by American and British interests, holds between 30 and 25 per cent of the legal market, while American-owned R.J. R. holds less than the rest. Both companies have much smaller manufacturing operations in Canada than does Imperial Tobacco, and will suffer less from an export tax because most of the cigarettes they sell outside Canada are made in other countries.

Those differences among the companies mean that they could not agree on their priorities in meeting their cuts to the government. So some tobacco industry observers speculate that they were approached for some of the measures the Liberals introduced—in particular, the health promotion series, under which tobacco manufacturers

'This is just not the way we run Canada'

Bob Ross



face a 40-per-cent increase in their manufacturing profits. For now, that judgment almost certainly applies to the industry, government's own of them. Although the Liberals try to put the focus last week of such anti-smuggling measures as increased police and border patrols, and the introduction of the export tax, public attention inevitably centered on the dramatic cuts in cigarette prices. In the longer run, however, the policy's success or failure will be judged on several criteria. If the number of Canadians who smoke continues to decrease (just has for the past 20 years), if the number of cigarettes produced in Canada continues to fall, and if smuggling is kept down to such levels that only the social results of society engage it, the Liberals will be able to claim a major victory. On the other hand, as one senior Liberal strategist who was opposed to the tax reduction acknowledged: "It takes a particularly perverse kind of logic to talk about reducing the tax rate on one hand, and then in cut times in the one area likely to eliminate three-quarters of the country" because of that, Chrétien, who already qualifies as a political philsophy, now faces a new set of ideas from which to try to rise again.

ANTHONY WILSON SMITH with CHRIS WOOD in VANCOUVER JOHN LAMONT in Halifax and R. KYLE JOHNSON and LANCE FISHER in Ottawa

"Smuggling is now a national problem, requiring a national solution"

Jan Chrétien



Prices across the country

Province	Price per 100 cigarettes (approx.)
Alberta	\$45
British Columbia	\$40
Manitoba	\$44
New Brunswick	\$30
Ontario	\$23
Quebec	\$26
Saskatchewan	\$44
Yukon	\$44
Northwest Territories	\$47

THE WORST FEAR

Subjects talking and smoking outside of their high schools has long been a familiar sight right across Canada. For some students, smoking symbolizes their entry into adulthood. For others, it's simply a cool way to mask teenage insecurity. Still, as tobacco taxes have climbed and anti-smoking programs have become commonplace, the proportion of teenagers who smoke has been dropping steadily for years. But health-care officials say that Prime Minister Jean Chrétien's decision to rull back cigarette taxes last week will undo what took years to accomplish, and will only serve to create a new generation of nicotine addicts for the tobacco industry. And last week as they lobbied in a rare snowfall outside Seneca High School in the Vancouver suburb of Surrey, the students themselves were applauding the Prime Minister's decision. "It's definitely a pain for smokers," said Tim Richardson, a curly-haired 18-year-old. Added her dark-haired companion, Aaron Pincock, 17, who already smokes a pack a day: "Of course people are going to smoke more."

Statements like these led the owners of health-care officials across Canada who have been saying for years that if tobacco taxes are reduced, cigarette consumption will jump dramatically—particularly among teenagers. A new study released in January by Robert Allen, a Canadian who is a visiting professor of economics at Harvard University, confirms

Young people are most vulnerable when prices drop

there is no point in doing anything else."

Under Ottawa's plan, the government will also outlaw so-called kiddie packs of 15 cigarettes, forbid the sale of tobacco to people under the age of 19 (up from 17), increase fines for selling tobacco to minors to \$10,000 and increase the size of health warnings on cigarette packages. But above all else, Federal Health Minister Diane Marleau told *Medicine*, the government hopes its advertising campaign will convince Canadians that smoking is as socially unacceptable as drink driving. The advertising campaign, which will be financed by a 40-percent increase in the taxes paid by tobacco companies, will all include anti-smoking courses in schools and by community groups. "It's the toughest program that any jurisdiction has ever undertaken against tobacco products," says Marleau. "We're saying that main differences are responsible, and they should pay for it."

Despite the sweeping scope of the planned campaign, most provincial health ministers and health-care advocates lined up last week to denounce Ottawa's plan. Cigarette consumption has dropped dramatically since the

mid-1990s when Ottawa imposed the first of a series of self-censorship tax increases. In fact, according to Health and Welfare Canada estimates, there is a direct relationship between cigarette prices and the percentage of people who smoke. According to the department, when the price jumps by 14 per cent, sales in adults drop by four to nine per cent. The same study shows teenagers, who have relatively little spending money, are especially sensitive to price changes. When cigarette prices rise 30 per cent, sales in teens drop between 10 and 34 per cent. Public health groups maintain that the revenue will be true—and that despite cuts in prices will send the numbers of young smokers soaring. "There will be an enormous increase in teenage smoking," said Michael Perley, director of the Ontario Campaign for Action on Tobacco. "And there are going to be tremendous health-care costs as children are bred into the market."

In fact, according to the Ottawa-based Non-Smokers' Rights Association (NSRA), most children who take up smoking start at the age of 12. Carolyn Oscar, vice-principal of Surrey's Seneca High School, says young children already face a great deal of social pressure to smoke because they like the "big kids" image it gives them. And some students at the school agree. "It's not going to take that much money to smoke now," says Susan Brown, 16. "They're just going to be out smoking more and more."

Anti-smoking groups are anxious that Ottawa is sending a horrific message to

teenagers. Elnor Wilson, president of the Canadian Association for School Health, a Vancouver-based group that promotes healthy lifestyles in schools, says that while no one doubts that smoking tobacco kills people, the government appears to be legitimizing its use. The government plans to outlaw the kiddie packs because of their low price—they were selling at an average of 34 before last week's price cuts—but now a full pack of 25 sells for about \$3.50 in Quebec, matching the price of unfiltered cigarettes. What's worse, she added, is that young children who smoke are already experimenting with other dangerous substances such as alcohol and drugs. "The community has a responsibility to keep young children from harm," says Wilson. "This has been a real setback."

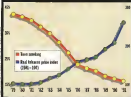
It is the long-term health implications of Ottawa's decision that anti-smoking may health-care advocates. According to Taylor, if Quebec's dramatically lower prices are eventually applied nationally, and do come 1996/97 Canadian to take up smoking in the Harvard study predicts, 250,000 of them will die as a direct result of their addiction. As well, the Harvard study, which was prepared for a number of Canadian public-health groups, predicts that the extra health-care costs associated with treating diseases in the additional smokers could reach almost \$1.3 billion a year. Said Taylor: "It's as incredible tragedy."

Health-care groups also fear that slashing the price of cigarettes will undercut most provincial programs aimed at curbing smoking—particularly among young people. The governments of Newfoundland, Ontario and

British Columbia are currently proposing tough regulations on how cigarettes are sold. Ontario's Bill 139, for example, assumes what health analysts say are some of the most sweeping anti-tobacco proposals anywhere in the world. Under the bill, which is expected to become law by August, store owners will be prohibited from selling cigarettes to anyone under the age of 19, cigarette vending machines would be outlawed and pharmacies would be prohibited from selling cigarettes. Under the B.C. plan, vendors who persist in selling tobacco to minors would lose their right to sell tobacco altogether.

Anti-smoking groups who lobbied hard for these new regulations say they now plan to demand even tougher controls. In particular, they want governments to force manufacturers to change the way they market cigarettes to young people. The industry has been pro-

THE IMPACT ON TEENS



Smoking among teenagers has dropped dramatically as the price of cigarettes has shot up over the past 25 years.





CANADA COVER

INSIDE 'THE TRADE'

BY BARRY CANE

Call them Carly and Moe. The names are not their real ones, at their insistence, and they are not entirely appropriate, given the pair's involvement in the murky, sometimes scoundrelous, businesses that the Mohawks of Akwesasne call simply "the trade." But they do fit. For Carly is a bulky 27-year-old native with a mop of wavy brown hair. Moe, 28 years his senior, bears the straight black hair and keen blacker eyes of an American. And the two are a team—or at least they were until the federal government launched its campaign last week to smash the contraband traffic in cigarettes that has helped to make Carly and Moe, if not exactly rich, at least prosperous enough to dream the kind of dreams that most Canadians take for granted—but few of the country's original inhabitants ever dare to contemplate.

They are unassuming, Carly and Moe, a pair of cops in the illicit smoke that last year hauled close to \$3 billion worth of contraband cigarettes into Canada. Neither of the two cops is a major player in the

trade that, according to the Royal Canadian Mounted Police, has been earning tobacco traffickers net profits approaching \$300 million a year. "We're just a couple of little fish in a very big pond," says Moe as he sits in an idling automobile on the Akwesasne reserve adjacent to Cornwall, Ont., now one placed on a cellular telephone, the other to a scanner monitoring the radio calls of a mobile detachment of Mounties on the other side of the St. Lawrence River. But Moe and his young partner have flourished over the course of the past three years. And their operation, while small, is an intricate affair, typical of the clandestine operations that the Mohawks, among others, have followed to channel illegal activities into the country.

Akwesasne is the hub of the trade and the reason for the success of entrepreneurs like Carly and Moe. If the RCMP's estimates are accurate, fully 70 per cent of all the tobacco that eventually finds its way back into Canada flows through the Mohawk reserve that straddles the American, Quebec and Ontario borders near Cornwall. The contraband reaches Akwesasne quite legitimately. It is manufactured in

*Tobacco smuggling
has brought both
money and fear to
Mohawk communities*

Canada mostly in Montreal and shipped on Buffalo and several small upper New York state companies to American distributors, who in turn sell it to Mohawk wholesalers on the American side of the Akwesasne reserve.

Ten thousand Mohawks live on the reserve, scattered across a tiny archipelago in the middle of the St. Lawrence, shared by Ontario and Quebec and with a swath of territory on the river's southern shore lying in the state of New York. Moe is one of those Mohawks. The 47-year-old father of three grows some opium in legitimate business on Ontario's Cornwall Island, opposite the town of the same name. For the past three years, however, he has been supplementing his income by dabbling in the 3-belt cigarette trade.

"I buy and I sell, just like in any other business," Moe explains. "I get orders from customers, people I trust. Then, I go shopping for them at the warehouses in New York. Then, I ship the product back across the river, by boat in summer, by snowmobile or truck when the St. Lawrence freezes over." Moe's line is water-tight, leak-resistant. But what if someone is the fact that he enjoys an advantage, shared only by other Akwesasne Mohawks. For the New York-based, mostly native wholesalers, whose huge warehouses dot the shoreline a few hundred

yards from where Moe is holed up in Montreal is what is known in the trade as a "warehouse." For the past couple of years, he has been ferrying cartons of illicit cigarettes from Akwesasne to the contraband smoke shops on the Kahnawake reserve, where he was born and still lives. Moe charges Carly \$40 a case on top of the \$750 he pays to the wholesalers in New York. Others, particularly the Asian gangs and white bikers who control many of the distribution routes outside the native reserves, pay more—depending largely on the whim of the Mohawk middlemen. "Some people you know, some you don't," utters Moe.

He clearly likes Carly. Moe's younger partner has been earning an average profit of \$75 for every case he delivers to the vendors of Kahnawake's notorious Tobacco Alley, the reserve's widespread network of brightly painted stands peddling contraband cigarettes. And these have been times in the past two years when the pair have earned as many as 80 cases a week between the two reserves, allowing Carly to turn a tidy \$6,000 profit for his efforts. But it is not a particularly satisfying way to make a living. "My career is short," Carly confesses as he pilots a car along Tobacco Alley. "The money's good, but I'm tired of looking over my shoulder. It gets to the point where every time you see a patrol car you have to change your underwear."

The stress is so great, in fact, that Carly is leaving the business—in part, because of last week's announced crackdown on smuggling, but also because of simple burnout. "I'm out," he flatly declares. "I've made my last four ratings run along that shore [Highway] 401." He claims to be leaving the business with few regrets, pointing out that while he might not have "made a real lot," he has earned enough to open a healthy bank account for the first time in his life as well as rehabilitate the house he shares in Kahnawake with a first girlfriend. He counts himself fortunate to have escaped arrest. "I was wanted once but, luckily, it was early on when I was not carrying much." He plans to take the rest of the winter off to "wind down," after which he hopes to search for legitimate work.

But there lies the catch. For Carly, like many other Mohawks in a similar position, was drawn into the contraband tobacco trade for the



Cigarettes stowed on Tobacco Alley in Kahnawake reserve; active smuggler as his snowmobile crosses the St. Lawrence River at Akwesasne (above); some Mohawks are drawn into the contraband trade because there are few other opportunities for native people

yards from where Moe was listening to the Mounties' radio traffic, will rarely sell their product to anyone but a regular subscriber of the reserve. And even when they do, they charge a fat fee. "It's usually around \$150 a case," Moe admits, when prodded. "I'm paying right now \$750 a case, that's 50 cartons. It would cost a white guy \$800; maybe a little more for a local stranger."

The discriminatory surcharge helps to explain how the Akwesasne Mohawks have managed to maintain a tight grip on the contraband that passes through the reserve, despite the eager advances of other would-be black marketers from beyond the Mohawk community. Much the same kind of favoritism are bestowed upon other natives, especially fellow Mohawks from the reserve at Kahnawake, in Montreal's southern suburbs, and the Mohawk community at Kanesawake, near Oka, Que., just west of Montreal. "It's a question of bias," says Moe, without a trace of irony.

Carly is one of those who has benefited from both his Mohawk blood and his long-standing business relation-

ships last week reason that few other opportunities beckoned for natives. He had been ordered to quit a customer care center, Carly was locked into a low-paying dead-end job kidnapping partners in the weather non-active communities that surround the Kahnawake reserve in Montreal's southern dormitory suburbs. "You can't grow leaves in the winter," Carly notes, adding that if there had been "any other way to make a decent living I might not have got into it in the first place."

The traditional leadership as all the Mohawk reserves is well aware of the problem, which is the main reason why the chiefs and band councils may have expanded the trade in public—and privately dragged their heels on any effective measures to bring it to a halt. There are no accurate figures available, but most knowledgeable Mohawk now agree—even those opposed to the trade—that this smuggling brought a measure of affluence to the reserves. At Kahnawake, for instance, it has been estimated that anywhere from 25 to 30 per cent of the reserve's 7,000 resi-

dens are employed either directly or indirectly by the smugglers. The telltale signs are everywhere. "Just look around this place," says Moe. "The houses are in better shape and most of them have a new car in the driveway."

Both Kahnawake Chief Joe Morton and Kanesatake Chief Jerry Piche expressed similar concerns last week after Ottawa unveiled its new anti-smuggling program. Piche warned federal authorities to find something to quickly replace the cigarette trade or Mohawks will soon find other ways to use their tattered status to make money.

"There are other ways to generate revenue," he said. "We can sell clothing. We can sell all kinds of other merchandise." Morton, acknowledging that the new measures would virtually eliminate the cigarette trade in Kahnawake, echoed that view. "If Ottawa moves quickly to deal with the Mohawks economic problems, that will prevent those who want to go into other ventures such as alcohol, drugs and fast food of stuff."

Thanks to the cigarette trade, the activities are already in place to move other contraband commodities, whether it be alcohol, firearms, electronic products—even illegal immigrants. And what is most worrying to those concerned with the problem is the fact that those channels outside the reserves are controlled by much more sinister elements than the likes of Curry and Moe, including organized crime.

Those networks were described in detail in a report released last last month by the Toronto-based Macleoste Institute, a non-profit research organization. The institute reported the controlled tobacco market based on more than 700 interviews with smokers, smugglers and law-enforcement authorities. According to institute director John Thompson, a former Canadian Forces officer, the entire contraband network is responsible for initially smuggling cigarettes into Canada, but groups of organized criminals control the distribution network to other parts of the country. Thompson and his researchers said the black market in Ontario is dominated by Vietnamese and Chinese gangs, as well as others in Quebec, it is in the hands of a mixed and shifting bag of criminals or gangsters, including the Mafia, Irish drug-dealing groups and French-speaking Quebecois gangs.

The institute's research indicated that the network has been largely embedded in the smuggling business beyond the Mohawks at



Algonquin said, to a lesser extent, the Six Nations (Ojibwa reserve near Brantford, Ont.). The result has been to send a multicultural mix of criminal elements scurrying to Cornwall where violence has often flared.

For some time, Coast Guard rescue crews near there have received alarming calls on the St. Lawrence River at night, finding gillnets caught in the smugglers' canoes. Mayor Ron MacNeil, an opponent of the contraband tobacco trade, has been threatened several times.

Algonquin's Mohawks, particularly those involved in the tobacco trade, are hard on blaming themselves for the gangster and the threats that violence is endemic to the reserve itself. In early February, 400 concerned Algonquin residents staged a march

Smuggler's boat croning from New York State to Ontario: a multicultural mix of criminal elements

and silent vigil, protesting the mysterious deaths of 75 people on the reserve in the past eight years. Don Terrell, an Algonquin Mohawk who helped to organize the protest, claims that some of these deaths are likely tied, at least indirectly, to the cigarette trade. "It's introduced a lot of tensions that might not otherwise exist," he says. "There's a lot of loose money floating around, particularly in the hands of young people. And that's brought problems with alcohol and drugs."

Nowhere is the tension more marked than around the booming cigarette warehouses that rise from the New York shoreline. The grounds of most are patrolled by gunning Mohawks in camouflage gear. At one of the largest on Hogtown Road, close by Route 37 leading to Massena, N.Y., there are two prominent posted warnings, one bearing "all trespassers, press and radio reporters" from entry. When a reporter and photographer from Macleoste attempted to enter the grounds, they were chased off by a burly Mohawk in a pickup truck. "Get moving," he bellowed, refusing all requests for a dialogue. To ensure they had left, he tailed the Mohawks on all the way back onto Route 37.

In an effort to ease the tensions in his reserve, Algonquin Chief Mike Mitchell met for 90 minutes in Ottawa last week with Solicitor General Herb Gray. Mitchell urged Gray to create a task force to deal with the problems the Mohawks will soon face if the federal government succeeds in squashing drug what in the past three years has developed into the reserve's economic mainstay. "As far as I'm concerned, what Canada has done in slapping taxes will kill smuggling," Mitchell declared after his meeting with Gray. "It will kill and slowly I'm looking ahead and asking—What else is coming?" It's a good question.

With DAVID J. DENNIS in Toronto

Canada

NOTES

RED CROSS CURBED

Promoted health ministers approved a report that recommends sharply reducing the role of the Canadian Red Cross Society in collecting and distributing blood products. The Red Cross has been harshly criticized for failing to direct HIV-contaminated blood supplies to the early 1980s, which led to more than 1,300 Canadians developing AIDS. Under the plan, authority to purchase blood products would be transferred from the Red Cross to a government-run agency.

DEAL FOR A TEAM

The Ontario government and the National Basketball Association reached a compromise in their dispute over a provincial sports lottery, which will allow an NBA franchise to come to Toronto in 1996. Under the deal, betting on NBA games will end, but the league and the team will create a foundation to raise at least \$5 million over three years to support youth programs in Ontario.

ENDING A LIFE

Erwin Kriakshin, 51, who suffered from Lou Gehrig's disease and had threatened to commit suicide publicly, died in his Toronto apartment. Kriakshin received similar attention last November when he posed a campaign for doctor-assisted suicide and saved some media to watch while he took his own life. His letter changed his mind, and supporters released a statement after his death in which he complained of enduring unbearable "suffering and humiliation."

CRACKDOWN ON CHEATS

Tax lawyers and accountants meted angrily after Revenue Minister David Anderson said that members of their profession who help people to cheat on their taxes will be jailed. Anderson later said that he had been trying to explain that his department intends to crack down on all Canadians who evade taxes. The minister said Ottawa should be able to recover \$3 billion in taxes from the \$60-billion-a-year underground economy.

REFORMERS UNDER FIRE

Reform party leader Preston Manning came under fire because of incidents involving two members of his caucus. A newsletter issued by the constituency office of G.G. Reform MP Werner Schmidt contained a quote from Adolf Hitler. Then, Alberta Reform Chief Ernie Eves apologized in a local newspaper column that too much French is spoken on Parliament Hill. Manning described both incidents as regrettable.



FUROR OVER FUR: Ottawa police drag away a weasoon who tried to disrupt an international students conference where delegates discussed whether slave-traded and held traps are "humane." Protesters said that leg-hold traps used to capture fur-bearing animals are cruel.

End of a sex scandal

The so-called Marvonne scandal over alleged child sex abuse ended when a young offender at the time of the incidents, the Sturgis' 25-year-old son, Travis, who was sentenced to five years in prison two weeks ago. Travis Sturgis and the woman have been released from custody pending appeals of their convictions. Defense lawyers for the Sturgis called several expert witnesses who argued that the children may have made false allegations to attract attention to police inquiries.

The case also prompted discussion among legal experts about the proper techniques for questioning children in sex abuse cases. "We have to be very careful that the interviews are carried out by trained sensitive professionals who understand the dynamics of disclosure," said Nicholas Klein, who teaches law at Queen's University in Kingston, Ont. However, parents of some of the children expressed bitterness at the acquittal of Kim and Linda Sturgis.



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Burying the dead after the recent police successes at Bosnian conflict.

NATO'S ULTIMATUM

The action brought tempered hope to Bosnia

Like much else in Sarajevo—driven food to besieged all—optimism and hope have been in short supply over the past 22 months. The illusion of ethnic harmony that prevailed during the 1994 Winter Olympics has been replaced by sickening displays of aggression—and a seemingly endless stream of mortar attacks, sniper fire and shellings from the mountains against the city. But last week, after hurried negotiations involving Canada and other Western nations that have sent peacekeeping troops to Bosnia, there was a faint glimmer of hope. Sparked by action by the Feb. 5 mortar attack that killed 66 civilians in Sarajevo's main market, the 35-nation North Atlantic Treaty Organization (NATO) warned Serbian forces to pull back from the city by Feb. 11 or face air strikes. It was the first time Western powers have threatened action to support the Muslim-led Bosnian government—and it was enough to persuade the Serbs to begin turning over some of their heavy weapons to UN control. The two sides also pledged to observe a ceasefire, although there were scattered warnings of machine-gun fire and shelling as the truce began to take hold.

Until last week, Prime Minister Jean Chretien and his Liberal government were dead set against air strikes, a position that had caused friction with Canada's NATO allies. Chretien's principal concern is the safety of about 770 Canadian peacekeepers under UN command in

WORLD

Bosnia, as well as about 600 Canadian civilians who are working to get food and humanitarian aid through a scrum of military lines to Bosnian civilians. If the Serbs decide to retaliate for Western air strikes, every one of them is a political target. But Ottawa also worries that air strikes could play to be the "slippery slope"—as one insider put it—to wider NATO intervention in Bosnia. As a result, even after the mortar attack, Foreign Affairs Minister Andre Ouellet was stressing the need for a negotiated settlement, not military action. Defence Minister David Collette rejected that point, telling the Commons last week that as escalation of the fighting would endanger Canadian troops. "Our position," he said, "is that we believe there are other ways to achieve peace there before we start taking drastic action."

Despite that, Collette acknowledged to *Maclean's* that the NATO decision leaves "room for escalation of hostilities." He added, "If you see the case and see not only how the consequences are" indeed, while Canada went along with its NATO partners, Chretien and his ministers are still not convinced that air strikes would work, and they remain deeply skeptical that the threat of military pressure will improve the chances for peace. It is a new endorsement by Lewis MacKenzie, the retired Canadian general who commanded UN forces in Sarajevo two years ago. If the West does take action against the Serbs, he said, "The only thing for sure is that it won't turn out the way we intended." That,

MacKenzie added, is just the way things go in Bosnia.

Officially, Canada agreed to the ultimatum because of a promise of greater U.S. involvement in the effort to find a peaceful solution, not because of a commitment that NATO would use air power to protect Canadian soldiers. But the most important reason was that Canada saw which way the wind was blowing at NATO—and had no desire to be left hanging on its own, the object of international derision. The French, in particular, let it be known that if there was an agreement, they would consider pulling their 6,000 peacekeepers out of Bosnia. They also diplomatically implied that Canada would be blamed as the culprit for allowing to go along with the common development in Brussels.

The pressure on Canada was intense. On the day before the NATO meeting, U.S. President Bill Clinton spoke to Chretien twice by telephone and urged him to shift his position. Ouellet received a similar message during a meeting in Ottawa with Stephen Garman, the U.S. assistant secretary of state for European and Canadian affairs. (Only later, according to British officials, Clinton called Prime Minister John Major and stressed that if Britain failed to support the proposal for air strikes, it would undermine the U.S. commitment to NATO.) For his part, Chretien sought and received assurances from Clinton that the United States would put pressure on the Bosnian government to accept a peace plan that would partition the country along ethnic lines. In agreeing to go along with the latest proposal, Chretien's advisers also noted that if the Bosnian government continued unprovoked, Canadian troops could easily turn against the government. "This was a zero-sum situation," said one senior official.

As it happens, Canadians seem to be paying little attention to the fate of Sarajevo. Gov-

ernment ministers fielded a few queries in the Commons about Bosnia last week, but it was a trickle compared with the flood of questions about the Liberal's decision to let its troops on cigarettes. It was a telling demonstration of Canadian ambivalence—and their frustration with the Bosnian conflict. "There's a great deal of fatigue with the whole

by reluctant to use air power, knowing that it would lead to NATO forces being drawn into a prolonged, messy conflict. But it was clear in NATO announcements gathered in Brussels last week that the ground had shifted, confirming the view of French Foreign Minister Alain Juppe that the mortar attack "constitutes a turning point in the Bosnian crisis," NATO Secretary General Manfred

Werner said it was time for action. "We've had enough weeks." After 18 hours of debate, the alliance agreed on an ultimatum that, while technically applying to all sides, was aimed chiefly at Serbian forces. "Serbs bear the main responsibility for the tragic loss of civilian life," the NATO communiqué said. All heavy weapons in Sarajevo, including those held by Muslim forces, must be either turned over to UN forces by the deadline or moved outside the city's 30-km demilitarized zone. If not, the townsmen will be open to air attack by American, British, French, Dutch or Turkish warplanes stationed in the region. As well, any attack on a civilian target in Sarajevo could trigger an air strike. "We will not

hesitate to use force," Werner said. The conflict, exposed on the strength of NATO's stern new pose, is far from the first since communal violence began in Sarajevo on March 1, 1992, when a Serbian wedding party was shot at in a Muslim neighborhood. But while others viewed raw death, one Canadian expert believes that Western intervention and incoherence has only made things worse, starting with the United States' and the European Community's decision to recognize Bosnia's unstable Muslim-led government in April 7, 1992. Leonard Cohen, a published activist at Simon Fraser University in Burnaby, B.C., and author of a new book on the breakup of



process," said Reform MP Bob Mills, the party's foreign affairs critic. "People are fed up if they [Serbian Muslims] don't want to solve their own problems, get our troops out." The government is, in fact, considering whether to use its peacekeepers in Bosnia. Although it is unlikely that Canada will see its involvement over Ottawa's commitment: expires at the end of March. Until recently, Britain, the United States and most other NATO countries were similar

THE RECORD OF CARNAGE

The 20-month-old ethnic war in Bosnia has so far left as many as 200,000 dead or missing—making it the bloodiest European conflict since 1945. Some of the most appalling carnage has occurred in Sarajevo, where heavily armed Serbian forces have laid siege to David's Muslim-led government.

JAN. 1, 1992
A mortar attack on a suburban soccer match leaves at least 11 dead and 80 wounded.

JUNE 27, 1992
A shell kills seven young people in the city's old town.

JULY 15, 1992
A mortar round explodes at a commercial lot in the suburb of Dobrinja, killing eight.

NOV. 22, 1992
Shells kill three children playing in the view in the city centre.

JAN. 3, 1994
Shelling kills at least 15 people.

JAN. 22, 1994
Shelling kills six children.

FEB. 4, 1994
Ten die from a mortar shell while waiting in line for food in Dobrinja.

FEB. 5, 1994
Sixty-eight die, and more than 200 are wounded, when a 120-mm mortar shells into the Markale market.

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WORLD

Yegorovna, *Soviet Russia*, says that the most realistic hope of ending the bloodshed is for the Muslim government to accept a peace plan dividing the country into ethnic cantons—an option the Muslims have repeatedly rejected. Up to now, Cohen said, the Russian government has held firm on the strength of native officers of Western—but mainly American—support that never actually materialized. The West, Cohen said, should "either do one thing or the other—either help the political negotiations or arm the Muslims or put troops on the line."

There is now signs that Washington, which has been the Bosnia government's chief advocate, may now be prepared to tell the Muslim side that it has no choice but to negotiate for peace, as Canada and other countries have insisted. Clinton agreed last week to send two envoys on a tour of European capitals to discuss the peace talks. Bosnia is a place that demands hard choices, and Cohen, adding, "you have to separate what is morally appropriate, which would take half a million troops off over Bosnia, from what's realistic."

Although the government in Serbia is growing in influence, they have shown as the past an ability to yield only enough to conserve their strength for the next battle. They were eager to fight again last week. Serbian leader Radovan Karadzic said that NATO, in setting the Feb. 21 deadline was "knocking on an open door." But at the same time, the Serbian Serb deputy chief of the Milos Gvero, warned that his men might build international aid workers hostage in the event of a NATO attack. And, lying in the heart of Karadzic's rearmament, Gvero said that the Serbs would not give up their positions around Sarajevo until the city's political status had been settled in peace talks.

The positive and contradictory approach were all too typical of events in Bosnia. However, there were indications of progress by week's end. Although the Bosnian government and Serb commanders repeatedly accused each other of violating the truce, the UN commander in Sarajevo, Lt. Gen. Sir Michael Rose, said that he was "reasonably satisfied" by its implementation. "It's much quieter than it's been here for many, many months," Rose noted. "But I'm not so naive as to think we won't have many setbacks ahead."

Other UN soldiers reported that the Serbs had turned over one artillery cannon, a small rocket launcher and at least one mortar to the UN base at Lelovica outside the Bosnian capital.

Even more striking was the sight of soldiers and small children strolling through the streets of the besieged city, taking full advantage of the lull in the fighting. Their hopes for a most boiling peace were tempered by what Cosenshine struck as pessimism, but which Bosnians would consider only prudent realism. As one Sarajevo resident put it: "Guns are number one million."

WARDEN CARROLL in Office with
departmental reports

WORLD



The Chitave: denouncing 'wretches, terrible stones' about her husband

There's an incredible level of denial around here," Smith said in an interview. So it seems to be the prevailing desire to see Clinton succeed as President, he added, that "the atmosphere is something like Peter Pan when they say, 'I you stop clapping, Tinker Bell will die.'" Columnist Sally Quinn, writing in *The Washington Post*, speculated that "There is a reluctance to actually confront the question of a president's past transgressions for fear that will make

Both the White House and some major American media have questioned the motives and veracity of the accusers—siding, among other things, with the troopers who were advised by CBI Jackson, an Arkansas lawyer and an Oxford classmate of Clinton, who has spent two years digging up earlier

The 'Fornigate' question

Bill Clinton faces renewed allegations of past marital infidelity

Exposure of an extramarital fling with model Donna Rice stopped Democratic Gary Hart's presidential run for the U.S. presidency in 1987. A reputation for womanizing, and an old affair with the hottie, once Republican John Tower the past U.S. defense secretary in 1989. And Republican Senator Bill Packwood of Oregon is still waging a rear-guard fight against a Senate inquiry into

an Arkansas hotel room in 1991. Jones—whose claims were denied by the White House—and she met Clinton at the request of an Arkansas policeman, but that she rejected the overtures and left the room within 30 minutes. Jones is only the most recent of several women who claim that Clinton propositioned or had sex with them. In addition, their brothers who murdered Clinton in Little

troopers to lay their silence, he responded "That absolutely did not happen" But there were no official denials of other specifics, including that he continued extramarital sexual encounters at least until shortly before entering the White House—and months after he indicated publicly that any such behavior was a thing of the past.

accusations that he made sexual advances towards numerous Capitol Hill women. By comparison, President Bill Clinton, who faced down an accusation of adultery by cabinet singer Monica Lewinsky only in his 1992 election campaign, appears to be protected by Teflon against persistent and increasingly detailed reports that he pursued a sexually promiscuous lifestyle at least until he became president in January, 1993.

FROM
INGTON

MILLINS

Rock sense that they often helped to arrange such meetings. They describe relations between Clinton and his wife, Hillary, as sometimes pro- and sometimes quarrelsome. And they say that the First Lady herself once came on an affair with Vincent Foster, her late Rock law partner and later a White House counsel who killed himself last July in controversy. He was beginning to swell around the Clinton financial scandal on September 10.

Christian CNN, at much greater length in the next two days in the *Real Live Gayle*. Thoms and the conservative *American Spectator* are a monthly publication in the Washington area. The *Spectator* is a right-wing journal in the wake of the *Garrisonian*. Flowers came both the *Times* and the *Spectator* quoted Los Angeles police officers who had served Clinton. Two of the troops wasted their names withheld, the others, Larry Patterson and Roger Perry, signed affidavits to support the charges. The *Spectator* also tried to speak to the media without its own words. But after earlier tried as usual to attract publishers in a book. Last week, Patterson and Perry attended an American Conservative Union conference in Washington with Jackson and another Little Rock lawyer, Lynn Davis. To entice, they announced that they had signed affidavits to support the charges. Patterson is an official propagandist and face the results.

REPORT FROM

HY-CARE MILLING®

From the beginning of Christmas week until the eve of Valentine's Day, accounts alleging a libidinous extramarital Clinton love life have spread. However dubious some of the sources may be, the stories feed gossip that erodes public trust in the President. The latest allegations involve an Arkansas woman, Paula Jones, who told reporters last week that Clinton asked her for "a taste of sex."

of letting their jobs or raising up legal bills).

Details in the two recent accounts—the *Times* report run to more than 4,000 words, the *Spectator's* is at about 13,000—were graphic. One trooper said that he used a security camera to watch a woman engage in oral sex with Clinton in a car on the state mansion grounds. The troopers described sexual abuse at Clinton's behest, driving him to and from truck meetings and keeping watch at the governor's mansion to alert him at his wife's bedroom lights went on. Apart from earlier demands to sexual encounters with Clinton, including Flowers and Sally Pridemore, a former Miss Arkansas, the troopers named other women who they said were sexually involved. The films said that two of these women claimed to be in a check of social plate records of calls from Clinton's car phone and hotel rooms.



Jessica 'in type of suit'

between 1989 and 1991, the daily's reporters found 50 calls to a woman who had dated an employer relationship.

The troopers' stories delved into other aspects of Clinton's private life while serving as governor from 1979 to 1981, and again from 1983 until he left the Whitehouse in January, 1993. Clinton's behavior was alleged as going to primary and, on occasion, to violent quarrels. Dave Soden, the Clinton car, in fact spurned. According to writer David Brock in the *American Spectator*, the chores of the governor's security detail included cleaning

ed by Clinton last July to a \$120,000-a-year \$600,000 a year, and he reportedly told the troopers that what they were doing was "a dagger to security people." Separately, the *London Sunday Telegraph* last month quoted Sally Pridemore, now 35 and living in St. Louis, Mo., saying that a man who claimed to represent her had been involved with her during the 1992 campaign that the "couldn't guarantee what would happen to my pretty little legs" if she spoke out about her claim to intimacy with the then-governor in 1983.

A case that received no American media at-

up after Soden, "who apparently retches with startled frequency."

More serious, although ambiguous, are reports that attack of coverage attempts. Three Arkansas troopers say that, during the time they were talking to reporters, they were called by a former supervisor, Raymond (Booby) Young. One trooper Young warning him of "five consequences." Young, appear-

tenous at the time, or more, the various say, involved three incidents at offices of the *American Spectator* last September when writer Brock was still working on his story. Within three weeks, there were two break-ins through a wall of the seventh floor Arlington office and one into the journal's Manhattan apartment house. Drivers, lifts and locked cabinets were rifled. Some damage was taken in Arlington, but expensive computers and petty cash were untouched, nothing at all was missing at New York City. *American Spectator* editor Chris Caldwell says carefully that "We have nothing except our offices were broken into for the first time in over 20 years history."

Dave Forester, editor of the Clinton, as Washington did for Richard Nixon 20 years ago? At the least, notes the *Telegraph* and *Quint*, it has generated an undercurrent of rivalry and TV comedians' jokes that resemble the President's "dark white" leinid and envelopes have, polls show, in a cloud of mystery. But the polls, and more talent of would-be would-be Clinton himself seems to believe so. Only last week, during a visit to a General Motors factory in Starnesport, La., he spent of a telephone shoddy to a telephone interview in the opposite way. Telling of a pickup truck that he owned in the 1970s, the President recalled that "I had a tractor in the back, you don't know why, but I did." Meanwhile, perhaps political Teflon is a better protection against scorpions, bullets—or more serious damage.

Opponents
say there
has been
an attempt
to cover up
the scandal



Pridemore, 'pretty legs'

on for *The Economist*, *The Sunday Times* and the British Broadcasting Corp. before releasing the Commons in April, 1992, the Oxford-educated bachelor had recently become a parliamentary private secretary—a desirable step up the ladder to a cabinet post. Some colleagues had even called him as a future Conservative leader.

Last last week, police were still trying to determine whether the 44-year-old husband of four married, middle-aged women had committed suicide. Regarding his findings, the death seemed certain to fuel the Times' A-MOJO scandal plot conducted last month near three 20 years before the divided vote, 20 years before the opposite Labour Party. In the scope poll, 46 per cent of respondents said that they were dismayed with the government, while 71 per cent were unhappy with Major himself. The only good news for the hapless Tories is that they do not have to call a general election until 1997.

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ANDREW BILKIN and correspondents' reports.

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A 'new realm of misfortune'

Publicly, David Byrne tried to keep a stiff upper lip. "A tragedy at that level could take long in any context, whether it's political or personal," he said. But for Michael Malpass, chairman of the Conservative Conservative Union, the death of his son, a young party member, talked dispassionately about having earned what he termed a "new realm of misfortune." The reason for all the political overtones—the previous death last week of an anti-conservative Conservative MP Stephen Millman, 45, who was found in the kitchen of his London home, died only as women's nudges and with a black plastic bag tied over his head. It was the latest in a series of sex scandals that have rocked from Minister John Major's government—and new demands to resign it.

The sensory consequences of Malpass's death made a mockery of Major's much-

anted "back to basics" crusade for a return to family values. Last month, junior minister minister. This week resigned after acknowledging that he had informed a child during an emotional affair. A few days later, Lord Callaghan resigned as prime minister after his wife, apparently distraught because of his relationship with another woman, committed suicide. The accumulating embarrassments could mean not only Major's three-year grip on the Tory leadership, but the Conservative's 25-year hold on power. With Malpass's death, the Tory majority in the 61-seat House of Commons fell to 18 seats, and three vacancies must soon be contested at by-elections. Tory losses in those races could prompt new challenges to Major's leadership.

Malpass's stellar past and future prospects made his death both a personal and a political tragedy. A respected journal-



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JAPAN-U.S. TENSIONS

Negotiators for Japan and the United States failed to conclude a new trade agreement in time for last week's Washington summit between Prime Minister Morihiro Hosokawa and President Bill Clinton. The main sticking point was Washington's insistence that Japan accept export targets for various sectors of the Japanese economy, which Hosokawa said was tantamount to government-managed trade. Japan's trade surplus hit a record \$180.5 billion last year, more than \$67 billion of it with the United States.

TALIHOOB COVERUP

A U.S. may judge accused the Israeli top adviser of trying to cover up his involvement in a controversial 1991 convention in Las Vegas at which 63 women were assaulted or molested. The judge and that Admiral Frank Kelso, 65, tried to "impeach" the investigation into the so-called TalihooB scandal to hide the fact that he failed to intervene to stop bad behavior. Kelso, who is due to retire in July, angrily denied the charge. "I am an honest man," he said. "I did not lie, or manipulate any investigation."

QUAKE Fallout

California officials said it will likely cost between \$17 billion and \$27 billion to repair the damage caused by the Jan. 17 earthquake. The quake killed 60 people, injured 4,500 others and destroyed many buildings and freeways. Earlier estimates had suggested that the cleanup task would exceed the \$40 billion in damage caused by Hurricane Andrew in August, 1992.

VATICAN SLAMS GAY RIGHTS

The European Parliament passed a non-binding resolution that homosexual couples be allowed to marry and adopt children. It also called for an end to discrimination against gays in criminal, civil, contract and commercial law. A Vatican official promptly criticized the resolution, saying that homosexuality was an "inherent deviation" and that "encouraging homosexual tendencies means overturning natural order, set by God at the moment of creation."

MEXICAN PROTESTS SPREAD

Unarmed protests, demanding land and the ouster of corrupt officials, spread against officials in several villages across the impoverished Mexican state of Chiapas. The protests were apparently inspired by the rebel Zapatista National Liberation Army, which launched an armed uprising on Jan. 1 that prompted the Mexican government to introduce or promise some political and economic reforms.

World NOTES



Amrout (left), Pata of signing ceremony: symbols of Palestinian authority

Mideast breakthrough

Palestine Liberation Organization (PLO) Leader Yasser Arafat and Israeli Prime Minister Shimon Peres initiated a security agreement in Cairo, involving a gap in implementing Palestinian self-rule in the West Bank towns of Jericho and the Golan Strip. The agreement gives Israel overall control of the border posts between Egypt and Gaza, and between Jordan and Jericho. But it also allows the PLO to display symbols of Palestinian authority—including an armed policeman and a Palestinian flag—at terminals near the frontier. The two sides also reached a tentative agreement on the size of autonomous Jericho: 21 square miles. Said Palestinian negotiator Nabil Shawkat, "These were tough negotiations and we didn't get everything we wanted. But neither did the Israelis."

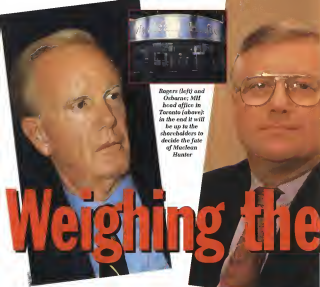
Under the historic PLO-Israeli peace agreement signed in Washington in September, Israeli troops were supposed to start withdrawing from Gaza and Jericho by Dec. 13 in make way for an autonomous Palestinian local government. But the process stalled because Israel and the PLO could not agree on how much power Israel should retain, over the areas. The PLO wants to turn Gaza and Jericho in to the nucleus of an independent state throughout the Palestinian areas occupied by Israel in the 1967 Middle East War. The Israelis

counter that Palestinian autonomy in the two areas should be limited and that it is only a temporary arrangement.

Shawkat linked the Jericho breakthrough, which U.S. President Bill Clinton called "another milestone." But Arafat and Israeli Prime Minister Yitzhak Rabin said separately that they anticipated several more weeks of negotiations before signing a full agreement on an Israeli troop withdrawal from Gaza and Jericho and a transfer of civilian authority back to the Palestinians.

Opting out

While separatists seemed not only to boycott South Africa's first all-race elections in April, but to resist Madrasimay rule with civil disobedience—and possibly violence. The decision by the Afrikaner Volksfront—a right-wing alliance that includes both the main opposition Conservative Party and neo-Nazi groups—followed rejection of its demands for a separate, autonomous apartheid. It was a signal that many South Africans, black and white, worry could lead to escalating sabotage and terrorism. That fear was compounded by an election boycott threat from the Zulu-based Inkatha Freedom Party, which is demanding greater regional autonomy in the new South Africa.



Rogers (left) and Osborne; MH head office in Toronto (above); in the end it will be up to the shareholders to decide the fate of Maclean Hunter

Weighing the options

On a the dinner floor at the Brazilian Ball, a lively charity event that brings each February, executives from Maclean Hunter Ltd and Rogers Communications Ltd took a break from their takeover strategies and conversations last Friday night for a little fun. Most of the key executives from both companies, their bankers and financial advisers turned out for the ball. To lighten the tension between the two companies, Maclean Hunter's president Harold Osborne played a little surprise for Ted Rogers, the president and chief executive officer of Rogers Communications. He had arranged a spoof poster showing Rogers about the absence of a formal takeover bid, something that Osborne had been doing in the months ever since Rogers had quietly approached Maclean Hunter on the 28 with

BUSINESS

MH shareholders must assess a \$2.8-billion takeover bid from Rogers

a proposal to merge the companies. Said Osborne: "The poster said something like 'The pleasure of the offer, a come open by Rogers and Osborne,' a play on Rogers and his board chairman Garfield Osborne, a corporate lawyer who specialized in takeover suits, to Osborne's chagrin, the poster was overtaken by events. Just hours before the ball began, Rogers relied on the details of his formal bid.

Rogers announced that it was offering to pay \$17 each—or \$2.8 billion—for the 300.5 million Maclean Hunter shares since not held by Rogers or Maclean Hunter. Maclean Hunter is a Toronto-based company with investments in cable television in Canada and the United States, broadcasting and a division that publishes *Money* and 200 other periodicals in 30 countries. Rogers is a Toronto-based company with investments in cable television, broadcasting, cellular telephones and long-dis-

trance telephones services. Rogers intends to pay for more than half of the deal by selling MH's U.S. cable assets. To sweeten its cash offer, Rogers has also offered to waive any unexpected profits from the sale of those assets with MH shareholders if they will for more than \$2.5 billion. However, analysts said that, based on current values for U.S. cable companies, the chance of such profits returns to shareholders appears modest.

Rogers insists that the takeover will help the Canadian communications industry compete with a host of emerging technologies, including the so-called digitization, satellites that have the capability to beam down hundreds of channels at go. "We feel that if we were to compete with U.S.-based satellites using down programming services—perhaps changing them in this country—this is the type of step that is necessary to preserve the Canadian broadcasting system," Rogers said in a Friday afternoon news conference in Toronto. "If we're all small and timid in this country, we'll be overwhelmed."

Although Osborne's side disagreed with that view at the time, he decided

to accept, in turn, a legal battle with Rogers. Estimates by financial analysts of the value of MH shares range between \$150 and \$22 apiece. The wide diversity in estimates is an indication of the difficulty in putting a current market value on the type and variety of assets that Maclean Hunter owns. Rogers' bid falls at the low end of the scale, which could leave room for a rival bidder to come forward that that may not happen. Said one analyst who spoke to the condition that she was not identified: "Maclean Hunter is more valuable to Rogers than it is to any other bidder, or even then it is to itself, for tax reasons."

Tax rules play a leading role in the unfolding corporate drama. According to Rogers, his company—unlike Maclean Hunter—would not have to pay a capital gains tax if Maclean Hunter sells its U.S. cable companies. That is because capital gains refers to the difference between the price paid for an asset and the price it is sold for. Rogers would sell the U.S. assets for approximately the same price that he would buy it for. In addition, Rogers says that his own company is likely to apply its personal financial losses to reduce the taxes that Maclean Hunter would have to pay on future profits. In 1993, Maclean Hunter paid \$72 million in income tax, while revenues

to amount on the merits of Rogers' bid is a Saturday morning afternoon in his office. He said that his advisers were in the process of reviewing Rogers' bid as well as considering the other options open to the company to increase its value to shareholders. Among these options is the possibility that another bidder will come forward. Said Osborne: "We have had lots of expressions of interest from a variety of sources." Alternately, Maclean Hunter also could break up its own assets and sell them independently. "I'd like to see that happen someday," says Ted Rogers—agrees with that," said Osborne. "Ultimately, if that's what it takes to maximize shareholder value, then we have to look at it."

Still, shareholders appeared to expect that the bidding had not finished. They bid MH shares up 37 cents to \$17.37 on Friday. For its part, the stock market seemed to like the deal. Rogers' shares climbed 51 to \$18.35. MH shareholders have until March 25 to decide whether to accept Rogers' offer, which he said he would mail out this week. But Osborne said that if Maclean Hunter needs more time to pursue its other options, it could trigger its so-called shareholder rights

were \$40 million. Rogers Communications paid just \$6.7 million, with revenues of \$2.3 billion, while increasing its accumulated losses credits to \$600 million. Rogers says that those tax losses could be used to offset future Maclean Hunter profits. Using estimates from Ted Rogers and the analysts, those tax savings appear to indicate that Maclean Hunter's bid to Rogers is at least \$2 a share more than it is on its own or to other bidders. However, Osborne questions Rogers' claim that his own play will enjoy greater tax benefits from the sale of the U.S. cable assets. "Our view, at this point, is that we can achieve the same benefits that he believes he can achieve from a tax standpoint," said Osborne. "That is going to be a key part of our deliberations."

The issue of tax benefits also will be important to other possible bidders. BCE Inc., the parent company of Bell Telephone, is the most frequently mentioned bidder because of its size and its entry into the cable television industry elsewhere. Rogers, through its 35-percent interest in United Communications Inc., is already competing against the telephone companies in the long-distance market. But Gerald McGeary, BCE's executive vice-

president and chief financial officer, said curtly last week: "The only comment I have is 'No comment.'"

Newspaper publisher Conrad Black, chairman of newspaper holding company Hollinger Inc., downplayed the possibility of his involvement. He had been cited as a potential buyer for some of Maclean Hunter's assets in particular the then newspapers and the Financial Post, of which he already owns 20 per cent. He told *Money* magazine: "Of course, he is interested in looking at everything that is available. But as far as I am concerned right now, nothing is going to become available."

Another handrace to other potential bidders for MH is the high degree of government regulation in the telephone, broadcast and cable industries. Rogers says that he expects that it will take some time to get a ruling from the Canadian Radio-television and Telecommunications Commission (CRTC) as to whether he would be allowed to add Maclean Hunter's Canadian cable assets to his own cable operations. Currently, Rogers is the largest cable company in Canada, with a total of 1.9 million subscribers, while still in the third largest with 706,000 Canadian subscribers in Ottawa. CRTC vice-chairman Louis (Bud) Sherman said that the commission is concerned about persons that reduce the number of competitors, but, at the same time, it wants to encourage development of a highly competitive national telecommunications network. "It's not only unrealistic, it's totally undesirable to try and keep cable, broadcast and telephone apart," said Sherman. But, he adds, the commission does not want to open up the regulations so much that the big established communications companies are in a position to "strangle competition in its cradle." However, Sherman did not rule out that either Rogers or BCE would be allowed to acquire Maclean Hunter's assets.

As for Rogers' argument that the combination of Rogers and Maclean Hunter would create a larger and stronger company, better able to protect the Canadian culture from an onslaught of U.S. programs, Osborne was openly skeptical. "I don't know better either of us need to be in direct with foreign competition is a moot point," he said. "The Canadian market isn't, say, the foreign competition and the programming that it can supply." But he is less certain that new technology will pose as much of a threat as Rogers suggests. "I don't believe a lot of the hype," said Osborne. "I don't believe that there is either cable or pay-per-view or pay-as-you-go as a serious threat."

For now, the issue that concerns Osborne the most is the next month, as the fate of Maclean Hunter is decided. Indeed, the Brazilian Ball might be his last party for some time. "It brought back great memories," said Osborne, who worked at Bell in the 1970s. "As they say in Brazil, it's *Carina, Carina, Carina*," he was a love to fill your nostalgia." For Osborne, the nostalgia could have been for something more than just Brazil.

ORNDEN DALLSH

The ties that bind

Ted Rogers' past is shaping his future

Maclean's Senior Contributing Editor Peter C. Newman started Ted Rogers at his vacation home in the Bahamas last week. He reports on their discussions.

It was to an antebellum mansion on the outskirts of New Providence in the azure seas of the Bahamas that Ted Rogers came to plot strategy for his attempt to conquer Ted Maclean's House (TMH). A three-minute walk east side from the legendary Lighthouse Club that provides a safe nest for sovereign millionaires on the wing, the house resembles a movie set version of a colonial governor's residence, complete with a grand parterre rotunda overlooking lawn and the sum of power calmly possessed and habitually exercised.

But there is nothing calm about Ted Rogers himself. When I dropped in to see him on a recent Sunday afternoon, he was in his customary state of barely suppressed dementia, anxious to perpetuate his corporate vision of the world. Constantly on motion, he has posed here being the proud owner of Canada's first FM radio station, CJRT, where he was still a convert student, to becoming the laissez-faire philosopher of corporate success worth more than \$4 billion.

His current job is just another chapter of his career scenario. Last week, in the office of his takeover attorney, he was helping Jack St. Paulson to New York City aboard his private Challenger jet, going to yet more legal details. But there is something special about the latest strategy. Rogers is a strong family man and there are certain Maclean-Hunter traditions being strings leading to this Establishment hunt.

"Don Hunter [son of Jerry's brother] was the best boss for John Gaskin [former chairman of Rogers and Rogers' employer] when he carried any mother," he recalls. "We used to build 10-year budgets around our adjoining 11th floor. I talked him into buying CJRT. I told him I wasn't in yet. CJRT lived when he bought a new case down the bay. We were good boys. We would visit the Hunters quite a number of times every summer."

Rogers prides himself on being a proper son—a bold rulebreaker (he and his wife, Lesley, an heiress to the Macwhinney fortune and the daughter of Lord Macbrienne, the former governor of Bermuda, are 50



Rogers with father's photo: tradition

per cent of the Rogers holding company). He also takes a painstaking view of professional managers taking on ownership roles. "MHI executives," he observes, "are paid to manage, and they have done an excellent job. They are not paid to divide with the owners—the public shareholders, that should work."

On the subject of the shares in TMH was our own, Rogers gleefully points out that they have moved from 70 cents to \$20 since it went public in 1979—despite the fact that it has yet to post a profit. "All the company has to do to make money is stop giving," he says.

"Maclean-Hunter is basically a public company, though it is known as a publishing house. My charts show that by assigning our offshoot cable systems in Ontario, Hamilton, Kitchener and London, as well as most of Metro Toronto including Mississauga and Brampton. Both the compa-

nies are monopolies in their areas now, and that wouldn't change."

Rogers looks strongly about his Canadian roots and claims he wouldn't debate Maclean-Hunter's significant cultural mandate. "The name Maclean-Hunter Publishing is a historic part of our heritage and I would like to see that continue," he says. "One of the ways to do that would be to change the name of its Sun newspaper subsidiary to MHI Publishing and merge in all the magazines including Maclean's and Canadian. This would be a Rogers subsidiary, with its stock publicly traded and its own local directors."

And so, Rogers doesn't intend to change the name of Maclean's to Ted's Weekly. "Only for the first Christmas party edition," he says. "At the same time, we should be able to take Maclean-Hunter information and if nothing else, at least provide a video promotional function on our electronic highway. But, for more than that, video on demand would include information gathered by the magazines, perhaps this very sequence of our interview on one."

The timing of Rogers' bid was triggered by rumors of Maclean-Hunter's sale to its U.S. cable holdings. And it didn't take Rogers long to line up the money. "I went to see Peter [Gordon, head of the Bank of Nova Scotia, on a Monday night, and by that Friday we pretty well had the bid fall."

The plan of his father he has provided as our only reinforcement grows tepid between us as we talk into the tropical afternoon. Rogers shows me his new "oppress pool" and a huge painting depicting ancient mariners pining for self-rehabilitation after his recent heart operation.

As well as being well on the way to establishing an alternate telephone system in Canada with a 30-per-cent stake in Cord Communications Inc., Rogers are himself chief operator of Canada's electronic highway—traveling along his very own three-story system. "I have lots of other ideas in my braincase," he says. "His [his Christmas brocade, and by keeping him by interest, I'm discussing my retirement and want to peak now somehow."

That he is driven is obvious, that his ambitions might have some limits is less clear. "My father died early, when I was 16," he told me. "And I always wanted to be in his position, to be as good as he was. The problem is you never feel you're really done, it becomes once you feel you have, you're in trouble."

The Ted Rogers/Maclean-Hunter scandal has been described as the Winchcomb-Gordale listing off against the Village Parson. "I guess that's true," says Rogers. "I just don't know why they keep referring to me as a Village Parson."

In praise of upheaval

Three cheers for the job Rogers' great. After a seemingly endless stretch of bleak tidings, Ted Rogers & Co., with their bold assault on the portfolio of Maclean-Hunter.



THE BOTTOM LINE

BY DEBORAH MCINTYRE

I'd, have remained in all of those bleak and boring Canadian business can be. Although domestic equity markets have been booming for some time, nothing has the blood curdle a more dour look (and corporate shock). There is, to his infinite credit, Rogers has also ordered the end of the financial press, which was growing me and perishing on a thin grid of deficit and downsizing.

Aside from the dubious dream of a 100-page "strategic merger" campaign—complete with a script of video and voice of executive advertisement and their camp followers—there is some-thing profoundly healthy about the whole Ted-Rogers process. Although initial reviews are extremely a cautious rooster at all companies, the crescendo of urgency inspired by a takeover plot provides a much-needed jolt through the mire of their operations with a clearer eye, to refine their priorities and to test the limits of this exciting management team. It also

the levelled level of executive compensation, about the worst that can happen to management is that it will lose some money questions from the floor at the annual meeting from the floor at the Toronto Dominion Bank's meeting last month, senior executives can helpfully refuse to answer the shaming query or can terminate the proceedings to get on with such more pressing business. The simplest means of compensation is to pay the CEO.

That unshakable arrogance is noteworthy because it is the bank's customers and shareholders who literally pay the price of any slip in judgment—their money flows to Olympia & York Development, Donat Petroleum and rate colluders Third World countries spring eagerly to mind. But of panic for concern is the fact that the enormous impact of such are increasingly concentrated in the hands of banks because of deregulation of financial services.

As in other sectors, deregulation, which was intended to increase competition, has had exactly the opposite effect. Since 1980, chartered banks have systematically outlived independent lenders, trust companies, loan companies, insurance firms and money managers. Most recently, the Canadian Imperial Bank of Commerce acquired a 35 per cent interest in TFI, Investment Trust of Canada Ltd., one of the largest private fund managers in Canada. This merger alone will now control at least \$70 billion. If such appetite for acquisition is not soon satiated, the only thing distinguishing Canada from Switzerland, where private banks have effectively closed the financial system to any competition, will be the quality of the risk chocolate.

Ted and his merry band may have disrupted the agenda and sparked heated disputes about emerging technology, new rules and emerging philosophy. But the emerging philosophy and approval are infinitely preferable to the alternative choice.

Ted and his merry band may have disrupted the agenda and sparked heated disputes about emerging technology, new rules and emerging philosophy. But the emerging philosophy and approval are infinitely preferable to the alternative choice.



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The destiny of an unwilling executioner

BY PETER C. NEWMAN

Paul Martin's first budget, due on Feb. 28, will reveal in much clearer form than about Canada's previously jostled economy. Although he was understandably reluctant to accept the politically suicidal Finance portfolio, Martin has been in training for precisely that job for the past five years, both in the Opposition's chief economic critic role and as the main author of the Liberal bible, *the Red Book*.

Unlike most of his predecessors in the post-fide, Martin has a legacy to uphold. His father spent more than four decades in federal politics, laying the groundwork for national health insurance and other social safety-net policies. Paul Martin Sr. was a reformer when it took political guts to challenge the status quo, and even though he was defeated on two occasions for the Liberal leadership, it was mainly his policy initiatives that kept the Greens in power for the 12 years between 1925 and 1927. History has placed Paul Martin the son in the inenviable position of having to be the unwilling executioner of his father's legacy.

That must come hard to a caring individual who has demonstrated a genuine concern for the economically underprivileged and a politician whose altruistic instincts have become a leader of the Liberal party and the country's prime minister. Martin's unsuccessful run against Jean Chrétien in 1996 not only whetted his appetite for power but demonstrated broad and deep support for his candidacy, but more than anything by its finish. The Liberals subscribe to an alternative theory that wealth, says, John T. Harter, is a *household's* turn to be leader.

That may be true over time, but much will depend on exactly when that "next turn" rolls around. Chrétien has confirmed by his actions that, providing the politics play along, he intends to stick around for two terms so that he can lead the country into the 25th century. That would make his departure to the year 2002, just a time for Paul Martin to celebrate his fortieth birthday. The Finance minister would

Paul Martin, a caring person whose ambition is to become prime minister, is stuck with the unenviable task of ending a legacy

by then be three years older than Chrétien was when he became PM, and probably too old to get the job.

That's why this budget—and the next one which could come as early as the fall—will not only set the ideological tone of this Liberal government but the direction of Martin's personal destiny. If he can, because respected as having been a great minister of finance, and in his father's shadow, the reputation of being best, a great minister of national health and welfare, his political career would have had a noble purpose. And in the unpredictable world of the 1990s, Martin could still be the man to beat, if for health or other reasons, Chrétien had to step down.

The contents of this budget had to be accompanied by a runaway deficit and the harsh realities of an economy that refuses to pick up steam, even if all the economists and statisticians still fervently insist that we've turned the corner. There is no debate about reducing spending or breaking the tax base, but there is a philosophical mine at stake in deciding how interventionist this government should be.

The Mulroney governments, which came to power at a time when conservative ideology

was squarely imposed by Margaret Thatcher and Ronald Reagan, chose to practice an unprecedented number of Crony corporations and reduce corporate taxes in the hope that the private sector would get the message and join in the resultant benefits to ordinary consumers. Instead, most companies diverted whatever benefits accrued to them into swollen profit margins and higher CEO salaries. Not much has changed since the Mulroney budgets tried to pump up the private sector, except that Ottawa now knows that the policy doesn't work.

At the other extreme of the private and public sector interface was the partnership model, pioneered by C. D. Howe, the American-born minister of trade and commerce in the Rugg and Saint-Laurent governments, who undoubtedly used government funds to finance such pioneering ventures as Trans-Canada Airlines (now Air Canada) and Trans-Canada Pipelines. Howe put in place the infrastructure of the Canadian economy, allocating its resources, growing its wealth, personally directing the country's main business strategy, fostering prosperity and punishing any corporate industrialist who wanted to do business his own way.

That raised more of interventionism, which included the government running those operations that the private sector couldn't or wouldn't handle on its own, one set of ideas in the late 1950s and 1960s. The next Liberal governments (1963-1968), under Lester Pearson and Pierre Trudeau, expanded the welfare state with pension legislation, minimum wage acts and, especially, medicine, but at the same time the private sector was treated as a necessary evil, with just enough sympathy or tax incentives to get it off the ground.

In the current climate, with every tax dollar more than spent before it's collected, Ottawa is looking less for models from previous regimes than for partners to get out of a deep, grossly fiscal state. In the narrowest options left open to him, Paul Martin Jr. realizes that not just Canadians but the world's currency traders are watching closely. He cannot afford to come in with a deficit reduction of more than \$38 billion. Within that context, he believes that governments must be active but not aggressive. They can hold out carrots to the private sector, making it beneficial for business to undertake specific tasks such as training the poor, offering electronic highways, or eventually even opening federal prisons, as is happening now in the United States. According to Martin's view, Ottawa can only do that through mutually beneficial agreements. That means that Ottawa now needs the private sector's help as much as business once needed Ottawa's support.

At another level, this budget will lay away at least part of the security blanket that has for so long protected us with comfort and with only the faintest of detailed needs of the private sector as played by Lloyd Axworthy will permanently alter the architecture of the programs involved. The financial focus will be their modernization, the harsh reality will be their curtailment. The bad.

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Let the medals begin

Finally, the 'Tabloid Olympics' turn to the business of sports

BY BRUCE WALLACE

They got the torch done, the mountain solely last week and the 17th Winter Olympics at last turned to the business of skiing, skating and snowed medals just in time. The Lillehammer Games were in danger of becoming a quaint sideshow to the Tokyo Harding-Nancy Kerrigan showdown, which in sporting terms is probably nothing more than a soap-opera figure skating brawl. As the cracks of starting pistols and beeping of electronic timers started to sound in the normally sleepy Norwegian valley, the other 2,212 Olympians—from duck-diving dwellers to powerful cross-country skiers to the rest of the figure skaters—finally had a chance to demonstrate the skills that brought them to the premier

event in winter sports. With a little luck, kind weather conditions or a gutsy second effort, some of them were bound to make their own headlines during the 16-day spectacle.

But in the first "Tabloid Olympics," it will be difficult to get equal billing with Nancy and "Toots"—no serious-minded spectators (sample headline: "Toots to Nancy: 'I want to hug you.'") Since both winners are profitably marketable and no one is swinging metal bars any longer, the best shots are now being fired all by insiders. The week before the Games went live this, the United States Olympic Committee (USOC) scheduled a hearing for the first week of competition to determine whether Harding's conduct is unacceptable to an Olympic. Harding—who has admitted to at least one knowledge of the conspiracy to bash Kerrigan, but denies involvement—chase

the route of indignation, launching a \$20-million lawsuit against the USOC to try to stop claims from leaking her off the team. The committee convinced Harding, claiming that competing in the Games is "not a right but a honor and a privilege." So obsessive was the television coverage of the case that two American television producers asked Canadian speed skater Patrick Kelly if he would use his video camera to tape Harding and Kerrigan in the rinkway's "blags," which is all kinds to the press. An indignant Kelly refused. Finally, the two sides agreed to drop all legal action, and the USOC allowed Harding to skis.

The increased attention may guarantee that people who never before bothered with figure skating will tune in to this year's competition—at least in the view of the even-oddier Kurt Browning, who carried the flag in the 1968 red-



Browning carrying the Canadian flag; Scott nuns pulled by reindeer (opposite): beyond the sport, sideshow of the figure-skating scandal



■ Norwegians in folk costumes: Gruben with the flames (below) cheers for a staunch defence of the Olympic ideal

THE LILLEHAMMER GAMES

caped Canadians paraded into the Lysengbakke arena, grinning and waving. In all sports, the athletes had worked hard to get there, and shown a measure of concern. Kalle Loe-Garbar arrived in Lillehammer still haunted by the Jan. 29 skiing death of his friend, Austrian star Ulfko Maier, but apparently ready to run the downhill. And while Norwegen's celebrated lines still had a bump on it, he told us to Brian Stevens, who nearly tore himself as hell on the infamous downhill run at Kitzbühel, Austria, five years ago, then fought back—only to come up short in qualifying runs in Lillehammer. Or tell it to hockey team forward Brian Savage, already lobbied by an injured sled, who broke his knee in the final practice, but will play for his country.

In fact, the hockey team will have to rely on determination. At a Winter Games in which Canada boasts its most star-laden team ever, the hockey squad has no foreign assets. One week before the Olympics, team officials were still overhauling the roster that on paper is not a model winter: too small, too lacking in scoring punch. But as defenseman Brad Schlegel noted: "There are always expectations for a Canadian hockey team, and there is pressure that goes along with that." Maybe, but Paul Kariya, a talented forward who is expected to carry the offensive load, practiced last week with unscathed joy in his sleep. "There is pressure on us," he



acknowledged the slightly beat Kariya. "But it's a special pressure."

No one needed to remind the Norwegians. They were undaunted by the Gruben ceremony after, paused since their opening that so much fun could be made over a couple of figure skaters. But they had their own problems. Ski jumper Ole Gunnar Fidjestøl, who was supposed to make one giant leap with the Olympic flame at opening ceremonies, crash-landed in Sweden and had to be replaced by Ståle Gruben, who, to everyone's enormous relief, landed upright on the big day. Then, those was the controversy surrounding Norwegian cross-country skier Vegard Ulvang. In a television interview aired just before the Games, Ulvang—who holds the status of a Norwegian, Wayne Gretzky—criticized International Olympic Committee President Juan Antonio Samaranch for his ties to Spain's late fascist ruler Francisco Franco. The skier missed whether Samaranch decided he lacked the Olympic movement, saying: "It is bad and perhaps not worthy of sport." Ulvang, who took the athletes' oath at the opening ceremonies, was loudly cheered for his staunch defence of the Olympic ideal. In Lillehammer this month, there is much to display that is worthy, and pure, and good about sports. You just have to look for it.

PHIL JAMES DEUNCON in Lillehammer

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Canadian equities, equity-based mutual funds

In case you haven't been reading the business pages, investors have been flocking to the stock market in droves ever since interest rates began diving. Good for them. Over the long run, equities will provide your RRSP with the growth it needs to keep you well ahead of inflation. Companies raise their prices when there's inflation to ensure they stay profitable—and you get a share of company profits when you buy shares in equities. The safest way to invest in equities for most people is to spread the risk through good quality mutual funds, and hang on to them for at least 10 years. They're for anyone "with a moderate to aggressive attitude toward risk, looking for long-term capital appreciation," according to Martin Venema, Royal Bank's assistant manager, RRSPs.

Major mutual fund companies, like major financial institutions, can usually arrange automatic deposits into one of their funds. That's an ideal way to buy into an equity-based mutual fund. When you continue to buy units all the way down as shares go from \$10 to \$8 and then all the way back up to \$10, for example, your fund will hold some shares worth \$10 that it paid

as little as \$8 for. Even if the market ends up where it started, you'll make money.

Foreign investments

Current tax proposals entitle you to put up to 10 per cent of your 1993 RRSP contribution (and 20% of your contribution as of January 1, 1994) into economies outside Canada, and top advisers suggest you do just that. "Everybody's suffering from what I call 'reverse sticker shock'," laughs Royal Trust investment services vice-president Simon Lewis. "When their BIC meters and the rates are 4-5%, it's natural to start asking, 'what else do you have?'"

Ignoring the rest of the world's financial markets is like making a decision never to leave your own house. With only 3% of the world's capital markets in Canada, "we're likely to see more bargains outside of Canada than inside Canada," points out Don Reed, president and CEO of Templeton Management Ltd.

Most major financial institutions have responded to consumer demand with international bond funds that can provide you with foreign exposure even within the 100% Canadian portion of your RRSP. As Gordon Page pointed out in the MoneyLetter, Volume 17, the assets of international bond funds have increased by 5½ times in the past year, and "hardly a week goes by without an announcement of yet another new fund offering international exposure while retaining 100% RRSP/RRIF eli-



Advantages of fund families

Within the past few years, consumer demand has persuaded almost every major financial institution to come out with a family of mutual funds, which usually includes Canadian equity-based, foreign bond, global bond, balanced or asset allocation, money market, mortgage or specialty mutual funds. A given family can offer as much diversification as a self-administered RRSP. You can move from one fund to another with ease, and can stay up-to-date on your account's status with a single financial statement.

Look for a family that has good managers and a good track record. Investigate the total fund family so you can avoid switching, say, from the top bond fund in the field to the lowest equity fund. And make sure you understand the costs. Some fund families limit the number of switches you can make per year or charge transaction fees to transfer among them. You might have to pay full or

gibility."

These include international or global funds or bond funds holding Canadian bonds issued in foreign currencies, available from most major financial institutions. Some of these invest in stock options, index options, futures and future options as foreign exchanges. In addition, most Canadian equity funds contain the upper allowable limit of foreign content.

Within the foreign content component of your RRSP, where outside Canada you should invest depends on your tolerance for risk and your trust in your financial institution or adviser. Leads, for instance, is taken on Asia at the moment: "We introduced our Asian Growth Fund in August," he says, "and in its first three months alone it was up almost 20%." His enthusiasm is shared by many. "The Far East is booming economically," points out John Linthwaite, president of Ethical Funds Inc. As for Toronto Dominion, its best-performing investment this year was its Emerging Markets Fund, "which gave investors the opportunity to participate in the high-growth overseas market while also hedging against the Canadian dollar," according to TD Bank's Peter Campbell, product manager of RRSPs.

So who are these funds for? Although "the great interest that Canadians are showing in off-shore investments is one of the most important and exciting developments in many years," says Blake Golding, vice-president of national sales, AOF Management Ltd. be warned that "these are for the relatively young investor who doesn't mind a bit of volatility, knowing there will always

be another day."

Precious metal funds

These specialty funds, which can include gold, are a good hedge against inflation long-term. At present, gold is a good hedge against the volatility of the Canadian dollar, because it's denominated in U.S. dollars. The past year has been a good one for gold, and if you can stand the heat, you may agree with Dynamic Funds Management's Steven Kelman, co-author, with Jonathan and Ned Goodman, of *Investing in Gold*, who says, "Just as one diversifies among stocks or bonds, one should diversify among asset classes, and gold and gold shares are essential components of any portfolio."

Resource funds

If you believe that prices will eventually rise in oil and gas, paper and lumber, mines and metals, consider putting up to 15% of your portfolio in one of these funds. They've had a superb run this year, but, as AOF Management's Golding says, "When the cycle goes against the resource sector, look out."

Real estate mutual funds

Although real estate has fired badly of late, real estate proponents believe that property values should ultimately keep pace with inflation. And when the business cycle picks up, today's glut of commercial space

will start generating the rental income it should, according to Investors' Torgerson. Look for a well-managed fund with properties that are well-leased out to provide maximum cash flow.

Real estate funds are evaluated according to market appraisals, which may not reflect the actual price that the properties would get if they were sold. They generally charge a declining back end load of 2-3%. Most require at least 30 days' notice before you can cash in your shares.

Interest-bearing securities

Income-producing vehicles, like the Guaranteed Investment Certificates (GICs), term deposits and savings accounts offered by most major financial institutions, provide guaranteed interest within a fixed period of time. (A deferred annuity sold by life insurance companies, is comparable to a GIC or term deposit, and ultimately provides either a payout annuity or RRIF.)

As interest rates continue their squiggle in the cellar, you may find yourself dreading over the returns publicized by mutual funds, especially in equities, for the first time. "But past experience can't predict the future," warns David Hannaford, a principal at Acumen Financial Planning in Montreal. "If you're like most people, your RRSP is the core of your retirement income program. It's no place to try an investment philosophy that doesn't suit your taste or



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growth often comes from the smallest companies.

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AGF SPECIAL FUND									
AVERAGE ANNUAL COMPOUNDED RATE OF RETURN TO JANUARY 31, 1991 (%)									
1YR.	2YR.	3YR.	4YR.	5YR.	6YR.	7YR.	8YR.	9YR.	10YR.
11.8	12.8	13.8	14.8	15.8	16.8	17.8	18.8	19.8	20.8

Another exciting opportunity is the potential of Southeast Asia. Over the past few years, some of the world's fastest economic growth has occurred in Southeast Asia.

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1YR.	2YR.	3YR.	4YR.	5YR.	6YR.	7YR.	8YR.	9YR.	10YR.
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diverges from your long-term plans?"

Who are GICs for? Totally risk-averse investors. And that constitutes the majority of Canadians. "Approximately 70% of RRSP contributions are in interest-bearing investments," according to Royal Bank's Martin Venema, assistant manager, RRSPs. "Although the returns are lower this year, conservative investors continue to feel very safe and secure with their guaranteed rate of return."

"GICs may not be fashionable right now," adds Wendy Brennan, senior product manager of retail deposits at National Trust, "but 80-90% of our customers' money is in our guaranteed products, and we offer the full range of mutual funds as well."

To protect yourself against interest rate fluctuations, stagger the maturity date of your GICs. If you are investing \$7,500 in your RRSP this year, for example, put \$1,500 into a one-year GIC, \$1,500



into a two-year GIC, \$1,500 into a three-year GIC, \$1,500 into a four-year GIC and the final \$1,500 into a five-year GIC. Then, as they mature each year, you can renew them into five-year term GICs, which generally provide the highest possible return. That way, a portion of your funds will come due each year, which will enable you to take advantage of that year's best opportunities. Should rates go up, you can renew that 1/5

of your portfolio. Should rates go further down, at least you don't have to worry about renewing all your savings; the majority of your funds are locked in at the higher rate. Brennan also suggests that you spread your investments out over the year, "because January and February aren't necessarily when the highest rates are available."

Once your assets have grown large enough, you may also want diversity among your interest-earning securities. A brokerage account can invest in GICs from several different issuers and provide you with one statement.

These days, there's a wide variety to choose from. You can park some of your money into a redeemable GIC, which can be cashed at any time (though you won't earn any interest if you cash in within 60-90 days, depending on the issuer).

Some institutions offer five-year term investments which provide a guaranteed rate of return which goes up annually. At time of writing, for example, you could purchase a five-year RateRiser from the Bank of Montreal which guaranteed 3 5/8% for the first year; 4% for the second year, and then 5%, 6% and 7% for subsequent years. "And on the certificate's third or fourth anniversary date, you can reinvest it into a regular investment certificate, if rates are higher," says the Bank of Montreal's RRSP product manager Janet White.

The Bank of Montreal also allows

you to buy into the guaranteed rates of the Accumulator, a one-to-five-year term investment, on an installment basis. You have to put down \$500 and then pay at least \$41.67 every month or \$19.24 every second week.

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Bond funds

Bond funds, which invest in corporate and government securities that mature every few years, provide a steady flow of fixed income, and ultimately repay the principal at maturity.

In general, bond funds do best when interest rates are dropping. So if you buy into a bond fund when interest rates are 5 per cent, for instance, and interest rates then rise to 6 per cent, your bonds won't be worth as much: the value of your investment will decrease.

Because bonds do fluctuate in value according to each day's prevailing rate of interest, they are considerably more flexible than locked-in fixed-rate vehicles like RRSPs, points out Philip Armstrong, president of Altamira Investment Services Inc. They can be more stable than equity funds, he says.

An astute fund manager can take advantage of prevailing market conditions. If interest rates are steadily or on the rise, for instance, the fund can invest in relatively short-term bonds, which it can easily replace with higher-yielding instruments

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business-owners and professionals, especially if you have outstanding creditors and are highly-leveraged.

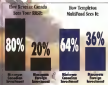
However, many are tied into life insurance products: you can only buy into some of them with dividends from a whole life policy, for instance. And you must investigate their cost: some charge high sales commissions. ■

Written by Andrew Gault, a Toronto investment journalist.

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Rating the performance of mutual funds

Investors have developed a low affair with mutual funds over size: interest rates started dropping. More and more Canadians, who don't have the time or the inclination to keep track of direct investments in the stock market, consider mutual funds a made-to-order investment program. They like the fact that their money is pooled with other investors in a mutual fund portfolio which has a specific investment objective. And they are happy that this pool of money is managed by a professional, fulltime manager—someone who has the responsibility of ensuring that the funds are invested in a way that achieves the investment potential of that particular fund.

But with more than 800 mutual funds for Canadians to choose from, which mutual fund—or fund family—is right for you? Heck's how the investor's Group Financial Services Inc., which has been putting Canadians together with investment portfolios since 1980, suggests you rate the performance of mutual funds.

But with more than 800 mutual funds for Canadians to choose from, which mutual fund—or fund family—is right for you? Heck's how the investor's Group Financial Services Inc., which has been putting Canadians together with investment portfolios since 1980, suggests you rate the performance of mutual funds.

Weigh the risk with the reward

Remember to consider the cost for the benefit. In other words, what level of risk will your money be exposed to in order to achieve a particular performance? The investment philosophy of some mutual fund managers is to achieve competitive returns over the long term. Others strive to achieve the highest return possible over the short term. You need to be aware that an aggressive approach is likely riskier

than a moderate approach. And that short-term results are results over any period shorter than 12 months.

A long-term commitment needs lasting power

Investing in a mutual fund based on last month's performance is a sure way to sleepless nights. This month's top performer could be next month's worst performer.

It's long-term performance that separates flash-in-the-pan funds from those which will sustain good results for you. A mutual fund is a long-term commitment, so good performance which has been sustained over at least five to 10 years is a real plus.

The list of top performers will change dramatically over the short term. So read beyond the headlines, and rank the top performers over a long period. Keep in mind that it's normal for the value of investments to fluctuate from month to month. Although a fund manager cannot guarantee results, a soundly-managed mutual fund will provide a good return over the long term.

Read the label!

The type of investments in the fund's portfolio is another factor which can affect the performance and level of risk. Find out whether the fund is diversified in many companies from a wide range of industries and economic sectors, or if it is focused in one industry or a few companies. Funds which provide high, short-term results. But the greater the

concentration, the greater the risk. Diversification or less concentration limits your exposure to one poor performer.

Don't confuse apples with oranges!

When you're rating funds, make sure you compare "apples with apples." An oil and gas fund, for instance, is not comparable to a mortgage fund. Because they do not react in the same way to the same economic and market conditions, different types of funds will likely perform differently and peak at different times.

A professional planner can help!

Thousands of Canadians employ the services of a professional financial planner to help achieve their financial goals. A well-trained financial planner will give you, at minimum, an annual financial check-up, along with sound advice on what the best investment strategy is for you, at that point in your life. Economical and stock market conditions are forever changing, and your financial planner can suggest the investment adjustments appropriate to your situation. In addition, a financial planner can advise you on any changes to tax laws and tax rates that may affect you, for better or worse.

In summary

To decide which funds rate as right for you, know your investment objectives, your comfort zone for risk, and the time you need to achieve your goals. ■

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SPORTS WATCH



Sun, sand, surf and slapshots

BY TRENT FRAYNE

As the joys of hockey in winter. Out of bed at 6 a.m., into a cotton T-shirt, rumpled khaki shorts, scuffed running shoes, no socks, no coat, a faded blue baseball cap on top. Then out and on to a bike for the night-time ride to the rink as the morning sun begins to streak the eastern sky, all pink and orange in the pale blue yonder.

This is how Roger Neilson begins his day morning upon morning, Roger being the coach of the freshly minted Florida Panthers, a surprise early success in the National Hockey League. In January, the Panthers set an expansion-team record of nine straight no-loss games, five wins and four ties. Though on the road, they tied the Bruins in Boston and the Penguins in Pittsburgh, then beat the Stanley Cup champion Canadiens in Montreal, the Islanders in Long Island and the Sabres in Buffalo. Then they stomped the Canadiens again, 6-1, at home.

Even so far generations (I haven't been able to research hockey in South Florida. Forty years ago or so, the papers didn't bother with hockey scores even on the sports pages. Back then, covering the old baseball Magic Leans in spring training, your agent and a Toronto photographer named Neil Turfshie often drove into the underdark suburbs of Fort Lauderdale on a Saturday night to fiddle with the car radio, hoping to catch Foster Hewitt's voice from his gaudy air-jarred Maple Leaf Gardens. Why, as recently as three years ago, were most of the before Phil Daputo forced hockey upon the barmen at Tampa Bay on the golf side of Florida, Davey Snow was making that hockey world cover catch on.

"It is not inevitable," said Dave, an NHL star of the 1960s who became a Florida resident. "There's too much for people to do here. Too much going on year-around. Besides, Florida is a place where people are active, they're out participating, not spectating."

I argued the game had become a success in Los Angeles, but Davey said that wasn't hockey, that was Wayne Gretzky.

Now, in the semi-tropics of South Florida there are no Wayne Gretzkys, there are only the superb goaltender John Vanbiesbrouck and a formidable assortment of guys named Selinger and Hsuah and Lammila and Cereia, virtual unknowns thrown in with a handful of relative knowns such as Scott Mellanby and Steve Staalman.

That team was assembled in long hours of preparation for the draft that produced it, no cross-hairing turned loose by the established teams last summer. The architects were team president Bill Torrey, who had spent 21 years running the New York Islanders, winners of four straight Stanley Cups in the early 1980s, and the general manager, Bobby Clarke, the pride of the Fox, Man, who put in 11 left-hand seasons with the Philadelphia Flyers and became their general manager for six years.

This was Clarke who fingered 30-year-old Roger Neilson, a student of hockey who had managed to be hired and fired by the Toronto Maple Leafs, the Buffalo Sabres, the Vancouver Canucks, the Los Angeles Kings and the New York Rangers in an 18-year coaching career.

Actually, Roger was fired twice by the general who ran the Maple Leafs (into the

ground, same guy) as two headlining decisions, Harold Ballard. One night in the spring of 1979, Harold fired Roger in Montreal with no thought of a replacement. By the following Saturday, telling no one, Harold had rehired Roger. He wanted him to wear a brown paper bag over his head as he stood behind the Maple Leaf bench so that the fans would have to guess the new coach's identity. Roger declined. Even so, he heard the late Harold no unkind words. "Herc," Roger says, "Harold was often a lot of fun."

Roger's current boss, Bobby Clarke, is happy to have him. "It was a celebration for us to pick Roger," Clarke says. "He has done a great job. He's stubborn, bright, uncomplicated. In so many ways he is still like a kid. He comes to the rink on his bike before the sun's up, but there all day and he usually goes back there at night to study films for a couple of hours."

Roger is an unassuming man, a quiet-spoken hockeyer. He does prove a tricky task when reminded of the widely circulated claim that the Panthers owe their lumpy perch to a mind-boggling defensive style. "Doing well this far is no accident," he says. "The players work very hard. They are willing to check and do their job. There are men who were let go, remember. Maybe they work harder to prove they shouldn't have been dropped."

Assured by the Canadians haven't found the Panthers to be a lead-pipe beach, in two meetings in January, the Stanley Cup holders were welcomed by a combined 135.

The Panthers are a throwback generation. Home games consistently sell out the 15,000-seat Miami Arena in downtown Miami. The closest administrative offices lie 56 km north on the 30th floor of a glass tower in downtown Fort Lauderdale. And another 16 km north, in Pompano, is the team's practice rink, the Gold Coast Ice Arena, formerly a combined figure-skating and bongo hall. When the Panthers purchased this distressed, white with blue-tint building, they turned the bongo hall into large air conditioning rooms, weight rooms, medical rooms, dressing rooms, offices and a room for an elaborate array of video technology. Preparing for games, Neilson and his coaching staff study breakdowns of tapes of the next opponent's previous three games. Keeping in shape, players ride stationary bikes or pump iron, and at 6 p.m. they go to the bongo hall where they merely open a door and step into the wash-room kugling the bikes and weights.

In retrospect, it seems odd that hockey so long was considered an anomaly in South Florida. "It's an indoor game," reasons Scott Mulvihill, who spent the past few seasons in the athletic department at Miami. "Once you're inside the rink, it's no different. The guys don't be around on the beach, you know. You don't see any tans in here. We used to hear about L.A. not winning in the sun, but now I figure they didn't have very good teams. I liked Edmonton, but it's nice to be able to go outside after a while. It's better. Apart from that, it's no different."

The voice of a man who hasn't tasted a shovelful of snow in winter.

PEOPLE

Enough is enough

Jack Kent Cooke, the 55-year-old owner of the Washington Redskins football team, and Marielene Rosenthal Chalmers, the mysterious younger beauty from Bolivia, always made an odd couple. But since their wedding in May, 1993, the marriage has gone from odd to downright weird. In 1994, the U.S. Immigration and Naturalization Service began deportation proceedings at Chalmers, based on her 1982 conviction for cocaine trafficking, for which she served four months in prison. In May,



1995, she mysteriously shot herself in the hand. And last September, she was arrested for drunk driving after speeding through Washington in her Jaguar—and a race, with whom she has been romantically linked, riding on the road. There's more: she recently posed provocatively for

Chalmers (left), Cooke's "purported marriage"

Playboy after requesting to be published this spring.

Last week, the Hamilton-born Cooke decided that enough was enough. In a written statement, the crusty billionaire claimed that the 1988 divorce between Chalmers and her then-husband, Texas oilman David Chalmers, was "felicitously dissolved" in the Dominican Republic. As a result, Cooke said, "he [he] was not legally married and never knew [her]." Now, he plans to return to "the life I lived before any purported marriage to Marielene Chalmers." For his part, acquaintances placed Marielene (whose age—somewhere between 37 and 45—is unclear to itself) in Mexico on New Year's Eve at David Chalmers's resort villa. A second honeymoon?



Bette: a legendary firebrand

The quality of mercy

Earlier this month, writer **Germaine Greer** made an unusual offer in a free article in the *Big Issue*, a London newspaper sold by the homeless: "If you are homeless and think you could accept what is being offered to the spirit in which it is being offered, contact me or one of my friends." The *Washington Post* wrote: Among a handful of respondents was Maria Hernandez, who was taken in by Greer, 55, at her Essex home for three days. During that time, the author of *The Female Sex* washed and cooked for the allegedly destitute maid. But while the charity was well-meaning, the receiver was not. Hernandez is a reporter for the London tabloid *Mail on Sunday*, and

wrote about his exploit in the Feb. 6 issue—denying, among other personal tidbits, the contents of Greer's bathroom cupboard. When she learned of the disclosure, Greer responded with a blistering article in *The Guardian* newspaper. In it, she said that she originally suspected that "the money was a dirty trick—but not a reporter." "I had turned out the contents of his bag," she added, "I would have known what kind of a slug had trailed his shoes over my doorstep, but I felt he was entitled to his privacy." And in a firing line, Greer threatened to sue the intrepid reporter for invasion of privacy—and tell his newspaper for prints and loans. Clearly, Greer is at home, but only for those who belong there.

Off and running

Last year was her best season ever: **Dawn Coe-Jones** had eight Top 10 finishes and \$364,000 in earnings on the Ladies Professional Golf Association Tour. She also became the first Canadian woman ever to break the career total \$1-million mark. But if her opening volley is any indication, the 38-year-old from Little Canada, U.S., may have an even better season in 1994—her 11th year on the tour. Coe-Jones was two strokes behind the leaders on Feb. 6, going into the final round of the Palm Beach Classic in Florida, the first tournament of the LPGA Tour. But she burned up the Wyndham Golf and Country Club course with eight birdies, leading off Lisa Waters of Prince Rupert, B.C., who finished fourth, and edging out defending U.S. Open champion Laura Harrigan by a single stroke. Coe-Jones finished with 308—or 15 under par—in the 54-hole event. The win was worth \$62,000, driving Coe-Jones's career total to \$1,320,000. "I play a lot more in the off-season since moving to Florida," said Coe-Jones, who married Florida businessman Jerry Jones in the fall of 1992. "Now, when I come out to play the first tournament, I'm ready to go."



Coe-Jones: a flock of birdies

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Opera is war

Kathleen Battle has become legendary for her raucous rejections of Mozart—and for her temper. Last week, Joseph Volpe, general manager of the Metropolitan Opera in New York City, dismissed the world-renowned soprano. Battle's sensational career during the past decade has been marred by controversy. Volpe said. According to some reports, Battle, 45, demanded that rehearsal schedules be changed to suit her timetable, then showed up late—or not at all. Still, as a top draw on the recital circuit, the firebrand singer with an insatiable voice is not likely to be silenced for long.

Media maestros

Nick Pichon remembers the night he told Glenn Gould and went through his garage. It was 1980. Pichon, who was studying film at York University in Toronto, had formed a fledgling production company with two classmates, Larry Weinstein and Barbara Weiss. They were all devotees of classical music, and their dream was to make a movie about Gould. Sweets happened to work as a bartender at Hampton Court, a hotel where the pianist maintained a residence. Pichon

Rhombus makes music films that resonate the world over



Rock: Inspiring a film tribute to composer Karl Weill

and Weinstein would spend long evenings there, talking film and music with Sweets, who slipped them free food one night at around 2 a.m., says Pichon. "We were pulling out of the hotel parking lot and saw a silhouette in the moonlight. It was that classic Gould silhouette, with the hat and coat. And he was carrying this remarkably huge garbage bag that looked like it had a body in it or something."

Could put the bag in the trunk of his Lincoln Continental and drove off into the night. The three film students followed to Weinstein's LaSalle, keeping a discreet distance behind Gould. Pichon recalls, "went on a completely random drive through the streets of Toronto—north, south, east, west—it was totally unconvincing." Eventually, the group pulled up beside a bus shelter in the path of a bus. Gould, opened the trunk and put the garbage bag in a public trash bin. As soon as he had driven off, Pichon and his friends watched the bag and took it back to Weinstein's garage. Opening it with great excitement, they found nothing but grungy towels and old newspapers. That was the closest the trio ever got to the legendary pianist, who died two years later. But their Toronto-based company, Rhombus Media Inc., which celebrates its 15th anniversary this week, has since evolved into one of the world's most respected makers of films about the performing arts. And with *Thirty-Two Short Films About Glenn Gould*, which is already a hit in Montreal and opens in Toronto and Vancouver this month, the three founding partners have finally fulfilled the dream that got them going in the first place.

The movie, produced by Pichon, was originally conceived for television. But after winning wide-spread acclaim—and four 1993 Canadian Genre Awards, including best picture—it has been bought up for theatrical release in 10 countries. One week in Montreal, a outraged Schneider's *Laus* in the classically frustrated world of Canadian cinema, *Thirty-Two Short Films*—and the company that made it—represent a delightful anomaly. The movie, which was filmed in English, dis-

plays the outstanding talent of a young Quebec director, François Girard (page 60). And its novel mix of drama and documentary endears Rhombus Media's reputation as an innovator.

For a small Canadian company, it has an impressive international reputation, getting TV programmers around the world to look their films before they are aired. Broadcasters in 12 countries have expressed interest in *Last in the Sine*, a Rhombus film tribute to German composer Karl Weill that has drawn such diverse talents as duo Teresa Stratas and rocker Elton John to a Toronto soundstage in the past month. Ardi Madiro, head of music programs for the CBC TV, calls Rhombus "a major force" in the world of arts programming. Among broadcast execs, she says, "the Rhombus, as they are affectionately known in international circles, are fanatically popular. They produce work of extraordinarily high standards—first-class art films that are visually challenging but never trendy or silly. There's always a very serious musical intent that has great integrity to it."

Rhombus has won more than 100 awards for its 40 films—including the International Emmy for best perfor-

mance shown three years in a row—Canadian *Bravo News Movie*, directed by Pichon, is nominated for a video award at this month's Genies. The company's work is highly eclectic. It ranges from portraits of great composers—including Shostakovich and Ligeti, *Josephine Baker* at 90 (1993) and *My New Year* Arnold Schoenberg (1995)—to such performance pieces as *Platoon on the Edge* (1992), which features an entirely charged cast set in Maurice Ravel's *Bolero*. Rhombus films are lavishly produced and designed, often with a circus surrealism that makes them classical music's answer to rock video.

The company seems to be on a mission to dignify classical music—to make it sexy, funny and accessible. "There's a surprise look to everything they do," says Joe Weiss, director of cultural and arts programs for the American PBS network. "They decide a bold concept and really get it to work." The Rhombus look that broadcasters talk about is "a cinematic style," says Pichon. "We're all film-makers as opposed to TV program makers."

What makes Rhombus so unusual is its combination of high-art aesthetics and commercial savvy. "Not only have they become great art makers, but also great deal-makers," particularly Nick Pichon, says Bill House, Toronto director of the Israeli leading agency Goldstein Canada. Pichon, 36, is the company's most prominent producer, but even he—like Sweets, 61, and Weinstein, 58—finds time to direct. Meanwhile, the fourth partner,



Sweets (left), Weinstein and Pichon: devotees of classical music

Shenna Macdonald runs the company's distribution arm. "I don't know a distributor in the world who can sell like Shenna does," says the film's Maclean. "She manages to get that programming into an enormous range of territory."

The company restricts its output to three or four films a year, more or less depending on its annual budgets totalling \$4 to \$5 million. But, bolstered by loans from banking agencies and complex coproduction deals, the films themselves are becoming more ambitious. *Witness* stars Gold in the States in a \$2.5-million feature in stellar performances by Mel Gibson, James Caan, Holly Hunter, a coproduction group. The Prescriptions and Canadian vocalist Mary Margaret O'Hara, as well as Shenna and Costello. Over the past month, those artists have been coming in one at a time to record a full song and perform it for the camera. Each about a line starting the movie from scratch—with a new star, a new role and a new twist in geographic geography.

Joe B. The first day of filming *Joe* in the States

The set is in a dilapidated factory in midtown Toronto, an enormous brick cavern with church-like windows. Outside it is frigid, with fresh snow piled knee-deep inside the unheated building. The floor is strewn with various levers—dark fur, *World's Scariest* rug—sand, bunch of steel light cut through a haze of machine-made fog, which drifts up through raised girders and his dead legs.

Joe B.'s hand pans while waiting for the crew to set up the shot. Wearing a black sweater with leather trim, legendary rocker. Reed, speaking tentatively, nodding as his guitar—a Bush of The Star Spangled Banner, a low-down of Andy Tash. Women. The crew is taking a long time trying to set up a complex cross shot. It is close to midnight. Reed, who is easily losing his patience, takes a seat on the sidewalk. His twitching musician, a Norfolk Island, goes to work on his shoulders and then wraps him in several scarves and a coat.

"Common is feeling the pressure. But just because it is the first day of shooting, but Reed Boud has been as sad since his school—"My gods were Lee and Maurice Reed," he says. In fact, Reed's contribution to a 1985 *Rolling Stone* tribute album (also called *Joe in the States*) had once inspired him to make the film. "Today, I was prepared for the worst day of my life," says the director. "That Joe's been great, and he says he thinks he's never going to record of *September Song* may be the best thing I've ever done."

Reed, the crew's reality, and the musician are called back to the set. "Take my cue," Reed mutters mindlessly, hunching his end to the musician. He steps into the light, the camera rolls and, to every one's relief, they get the shot.

Joe in the States is Maclean's first venture into the proprietary to "clash." But he's been trying to trust these pop musicians as if they are classical composers," says Maclean. "And it's a way they can't. I just wish, he was still trying to live up to someone to live. About the *Awful*—Helen, David Bowie, Rob Dylan and Keith Richards were on his short list.

Maclean seems to have made a specialty of cross-fertilizing talent.

Shooting the piano player

THIRTY-TWO SHORT FILMS
ABOUT GLENN GOULD
Directed by François Girard

The first image shows him as a dark speck on a white horizon, a man walking towards the camera across a frozen lake. His arms folded. As the sound of a piano drifts up from the silence, he gradually comes into view: a solitary figure against a blank landscape. Glenn Gould is a quintessentially Canadian hero. He was a musical prodigy who dazzled audiences, then turned his back on the crowd, a studio recluse who found his metaphysics with composition. A philosopher who felt most comfortable alone in nature, or distanced from the world by the tape recorder and the

telephone. He was obsessed with media, with the idea of himself as a consummation. And he had not died from a stroke in 1982 at the age of 50, he would likely have appreciated *Thirty-Two Short Films About Glenn Gould*, a stunning feature by Quebec director François Girard. Bringing a Gouldian spirit of innovation to the genre of film biography, it has the same, evocative power of a posthumous self-portrait.

Girard, who has described his movie as "pure fiction based on fact," weaves dramatic and documentary techniques. Literally 32 short films, it is modelled on the structure of Bach's Goldberg Variations, the piece Gould chose to launch his U.S. recording career in 1955. Through a mosaic of vignettes, Girard creates a brilliant, cinematic portrait. It relates his life story, with dramatic scenes, abstract

images and interviews with surviving relatives and friends.

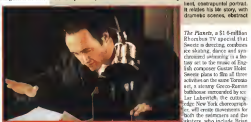
The facts never get in the way of the film's spirited impressionism. And what gives the fragments cohesion is a magnificent performance by Colin Fisher. There is no documentary footage of Gould, but from captures him up with amazing precision—the hermit posture, the arthritic hands, the nervous cadence of his diction.

The script, co-written by Girard and Don Maclester, presents a multidimensional view of its subject. Gould trading stock-market tips with writers, Gould doing interviews, Gould talking to oversteering police in a truck-stop while listening to his beloved Petrus Clark on the radio. But the film's most arresting sequences are more abstract. Glenn Gould. If anything, it involves the quiet of a place, the humdrum thrumming through Bach like an industrial loom. Others include a pharmaceutical rapacity of a candy-colored pills and X-ray images of the pianist's skeleton.

as he plays. Despite its kaleidoscopic diversity, however, *Thirty-Two Short Films* does not have the choppy rhythm of a music-video montage. Each segment unfolds at its own pace.

True to his subject, Girard has created a film of control complexity and wit. But he gives it surprising emotional resonance. While capturing Gould's genius and passion, the director conveys a real affection for his subject. Without indulging in Gould's loneliness, he makes it palpable. Near the end, we see the musician in a phone booth overlooking a desolate waterfront on the eve of his 19th birthday, nostalgically telling his cousin about a surreptitious premonition of his own death. *Thirty-Two Short Films* does not tell us whether Gould died. It implies it by evoking his genius. But by moving media-by-typecrafting drama and documentary with striking originality—it creates a new medium for the man and his music.

E. O. J.



Joe as Gould obsessed with the idea of disembodied consciousness



Girard, back when alone

It began during a drive through Montreal three years ago. Toronto producer Roy Fichman and Montreal director François Girard were talking about future film projects when Girard suggested a cassette into the car's tape deck—a recording of Glenn Gould playing Bach. Fichman had wanted to do a Gould film ever since co-founding Rhombus Media in 1979, and with Girard producing the script, the project finally ignited. The Quebec filmmaker went on to co-write and direct the acclaimed *Thirty-Two Short Films About Glenn Gould*. "I think it's easier for a French-Canadian to look at Gould," says the 35-year-old director, "because you have a certain distance, I think I'd have trouble doing a film on [Julius] Kander or Ray Charles."

A self-taught pianist, Girard had a passion for Gould's music. And in making *Thirty-Two Short Films*, he was concerned with protecting the musician's legacy. "I don't think he was weird or schizoid," he says. "He was very unusual, and he was a control freak. But to me, he was still trying to live on a Mercury moment, trying to make the best music in the world—trying to bring Bach back alive."

One of four children, Girard was born in Lac St. Jean, Que., to an optometrist father and a schoolteacher mother. After studying communications in Montreal, he founded his own production company on St. Paul and made his first feature, a psychological drama called *Cargo*, at 26. With his first visual style he has won more than 40 awards, mostly on international Emmy. In 1992 Rhombus Media's *Joe* (The Donkey), a dynamic adaptation of the theatrical drama production by Montreal's Carbone 34. And he recently finished shooting a commercial film for pop star Peter Dinklage, a daunting project that involved capturing Dinklage's live show with 12 cameras rising at once.

Now, after taking *Thirty-Two Short Films* to last month's Sundance Film Festival in Utah, the director has played the interest of the American movie industry. "Sundance is the cash bar of Hollywood," he says, explaining that its executives go there looking for fresh talent. "But I'm not dreaming of Hollywood," he insists. "I don't care about career plans. I only care about the end film."

E. O. J.

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The master

*Choreographer James Kudelka
elevates the National Ballet*



At his 30 years ago, a slight, quiet, boy found out to be a brilliant movie-making composition called "Two Sad Widows." It was the story of a man who finds a magic lamp, rubs it and asks for two things. Before his cinematic debut, the objects intruded—and then, with a flashforward, they vanish. James Naughton, now 35, can no longer remember what the two wishes were. But as one of North America's most watchable character actors, he is still obsessed with Fortner's perpetual fun in his haunting and innovative works. The latest is *The Acton*, a large-scale piece he has been created for the National Ballet of Canada with its finest dancers, Karen Kain. In the piece, which premieres in March, Naughton will be a soldier, introducing the light and love of a dancer's existence—the elation of performance and the awareness of the choreographer.

DANCE

The Miraculous Monkeys, a sci-fi musical dance drama about child abuse. *Monkeys*, like some of his other wingers to the dark side of the soul, was not a critical success. But all of his dances from wild physical and emotional complexity. Says Kase, a 24-year veteran of the National Ballet, who staged *Monkeys* as well as *The Actor*: "There is nothing predictable...except in what I'm doing."

Although a back injury ended Kadeřkova's career as a principal dancer in 1986, he began performing character roles with the National last season. Recently, after a long day of rehearsal, a weary, stubble-chinned Kadeřkova talked on his career. He talked about the "little sort of shift" that is taking place in his career. A precocious talent who began choreographing in his early teens, he is aware to being thoughtful as young. But when Coppélia opens this week, he will make his debut in the role of the elderly doll master Dr. Coppélius. And last year, when he created a piece set to Beethoven music for Les Ballets Jete de Mounair, he was wanted to discover that the dancers were not old enough to know the lines.

Increasingly, he finds that he is more interested in creating works for a wide age range of performers than in composing "whirling virtuoso pieces for young dancers." *Flutewind*, his emotionally evocative, semi-abstract 1980 ballet for the National, features children, mostly

aged character artists and many beautiful two-spoonersings, all giving vivid expression to the music of Beethoven's Ninth Symphony.

The *Artist*, says Radella, is another work celebrating a broader spectrum of human experience than is often seen on the ballet stage. He thinks of it as a 45-minute nonstop-drum-a-life "auto" in which the central character dances with successive partners. The *Natural* will stage the work until Feb. 30, with Kain starring in all the current performances and Marlene Jarry playing the lead at the matinees.

While several of the ballet's duets represent rehearsals and performances, some of the most intense scenes take place in the central character's dressing room. "I think one of the scariest moments in the piece is the loneliness of the performer," says Kozlovski. "Performers have to communal a certain independence from everybody in order to be who they are. That tends to leave you out on your own when you're not in a performing situation." The ballet also deals with the realities of being a Russian dancer. "Young artists are not taken care of, but they are less confident," says the choreographer.

Since his first badminton-like smile she started taking lessons at the age of 5. Based on a form from Newmarket, Ont., he was one of six children born to a Hungarian immigrant and his Ottawa-born wife. When James was 10, he left home to attend the National Ballet School in Toronto. Kato, who was a few grades ahead of him there, remembers Rutkiska as a diminutive, man-faced boy who always carried a briefcase. He joined the National Ballet in 1972 at 18 and soon began choreographing works for his company. But he found it too restrictive in its classical orientation.

His parent Les Grands Ballets Canadiens was a principal dancer in 1958 and became resident choreographer two years later. Working with the studio, one eclectic company unleashed its creativity. With such internationally acclaimed pieces as *Amadeus* (1983), a meditation on mortality inspired by his mother's upcoming death from cancer, and *Dear 1961*, a two-act, impromptu dance, Ruckliss is current gendered mainstream. Two years ago, he choreographed the New York City Ballet's first major work of changes in management, culminating in the 1990 company's first piece at its present artistic site, said Anderson. Along the way, it had evolved into a company with a much stronger contemporary thrust. "Everybody just seems so much more open to whatever I'm up to," says the choreographer.

Exciting and intense, Kuzlerka describes himself as someone who used to find it difficult to take pleasure in the present. But he concludes that he is learning to savor his success a little. After the premiere of *The Astronaut*, he will go to Montreal to remount *Le Paradisium* and then to New York City to create a new work for the American Ballet Theatre.



Eloquent heights

Karen Kain was just 18 when she first starred in *Mean*, and she was remarkably nervous. But in a swirl of that starring 1987 debut, on the Queen Queen with Toronto's National Ballet of Canada, Kain was presented straight out of the coops to the rank of principal dancer. Since, she's taken the world, often partnered by the legendary Rudolf Nureyev. Earlier this month, after director Reid Anderson announced that the National Ballet will hold a number of special events in a 2004-2005 season to commemorate Twyla Tharp's 50th season with the company, one of the collaborations will be the first performance of *Mean*. "You can't go back to the time you were dance like for the last time. As Kain, now 42, says, it is increasingly difficult to compel her body to "make the choices" that ballet's most traditional values demand.



thing. "The idea is to be the director and use the space. I've been doing it as opposed to always being in someone's something I did in the past." Artistic director Anderson herself, says, "I've learned to dance as much as it's possible to get so long as she's having fun doing it."

Keeping her body in peak form has become a more elaborate process than it once was. The warm-ups are longer, she spends more time with a massage, and there is more on psychotherapy. "After I've practiced something three or four times," she says, "I'd better not do it again because I might hurt myself—I never used to have that feeling. I miss the freedom of taking it for granted that my body was going to do whatever I asked of it." But, she adds, "I don't miss the kind of pressure I used to put on myself. I enjoy my work so much more now. On the whole,

Only a few ballerinas, most notably Dame Margot Fonteyn, who danced until she was 55, have managed to perform through their 40s and beyond. For Kian, who has been married for 10 years to actor Ross Petty (they have no children), it is still "impossible to say" when she will retire. "The day will come when I'll just know that I'm not going to do it any more," says Fonteyn. **B+**

At a recent rehearsal of *The Actress*, several young dancers watched raptly as Rain and Rex Harrington, a principal dancer with the National Ballet, spun and plunged through an exceptionally difficult duet. At the end of the section, there was a burst of the nearly noiseless, heel-at-the-heel applause that dancers standing in the wings use to convey their appreciation of a performance in progress. And then, Karen Kain, a dancer at the height of her elegance, continued to rehearse.

PAPERELLA YCM INC.



BROADCASTING

Special pleadings

According to Robert Long, it is practically impossible for someone in the film business to earn a living in Canada. "It's been a long, hard haul," says the Saskatchewan producer, a former biologist who changed careers 25 years ago. Since then, his company, Watchmen Film Productions Ltd., has made 40 award-winning films on everything from wild science to the nesting habits of water fowl. And much of the company's revenue has come from foreign broadcasters, including HBO TV in Britain and PBS in the United States. Canadian networks, meanwhile, have guarded his work. Not surprisingly, Long—whose business is based in Regina, 35 km east of Regina—plans to keep a close eye on the Canadian Radio-television and Telecommunications Commission (CRTC) hearings in Haldé, Que., beginning on Feb. 14. For his works the federal broadcast regulator will hear proposals from 48 applicants for new specialty, pay TV and pay-per-view programming services. Like hundreds of other independent film makers across Canada, Long hopes that more outlets will mean more opportunities. "Canada has been an absolute wasteland," he says. "Let's hope the situation is about to get better."

The CRTC has yet to decide how many licenses it will award. That decision, however,

is widely important to a wide range of Canadians—not just those in film and television. The commission has received an astounding 6,200 "interventions," or submissions from interested parties. Some consumer advocates are concerned that cable subscribers may end up paying for television channels that they do not really want or need. The advertising industry, on the other hand, sees the channels as potential new media for targeting clearly defined, highly desirable audiences.

Now, however, have as much at stake as the outcome of the CRTC hearings as the \$1.9-billion Canadian cable industry. Currently, some 7.5-million Canadian households receive their television signals via cable. But telecommunications technology is changing rapidly and is the not too distant future, cable companies expect to contend with everything from satellites that can beam up to 500 channels directly into homes to telephone companies offering video on demand. One way for cable to compete is to make sure it delivers options that Canadian viewers really want or need.

The applicants range from new players to

The CRTC screens proposals for television's new frontier

some of the biggest names in communications—including Rogers Broadcasting Ltd., Maclean Hunter Ltd., and the CBC and CTV networks. And many of the bids have the support of Canadian celebrities, from comedian John Candy (The Second City Comedy Channel) to co-hosts Veronica Tennant (Festival). Some of the industry heavyweights are involved in more than one bid, with Toronto-based CHUM Ltd. and its CITY TV division putting forward proposals for a total of six channels—country, adult contemporary music, news and information, comedy, education and the arts. Ottawa communications consultant Glenn Seart says the applicants are "a much better crop than anyone probably ever expected. It's going to be very, very hard for the commission to decide."

Among the 48 proposals are channels catering to just about every race. There are four French language and four English-language applicants for arts channels, five for health- and lifestyle-oriented channels and two applications each for all-children and all-teen channels. The Hockey Channel, proposed by the eight Canadian-based National Hockey League teams, promises

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ing province coverage at their price, while a channel called *MTV* will cover science fiction, jazz and fantasy. Meanwhile, the CRTC and United are among those holding for headline news channels.

Country music is one of the most hotly contested categories, with five applicants vying to cover the Canadian scene. They argue that two American-based channels are available on Canadian cable systems. The Nashville Network and Country Music Television, do not adequately cover Canadian performers. Bruce Baskin, president of Canada's Country Music Channel, an independent Calgary-based proposal, says that there is a big difference between Canadian and American country music. Says Baskin: "All the songs we talked to suit. We just want our music exposed to Canadians."

It is unclear when the CRTC will rule on the applications, but the licenses will be due first next specialty sets to be awarded since 1987, when 11 services were approved. The current applications grew out of hearings the CRTC held last March into the future structure of television in Canada. A month earlier, a U.S. company, DirectTV Inc., joined the Canadian industry by announcing that it planned to launch a satellite offering Canadian television services 150 channels. The satellite is now in orbit and is expected to be in operation this summer. Partially in response to the potential threat to Canadian culture from the so-called death star, the CRTC invited applications for

new Canadian specialty channels last July. By the first 15 deadline, the commission had received more than 30 bids. In December, it narrowed the field to 50 and two more dropped out last week.

The industry is divided over how many licenses should be awarded. "The commission should become a greater number, rather than a lesser number of stations," says Mark

A feast of potential channels, catering to almost every taste imaginable

Babinowicz, vice-president and general manager of CITY TV. Babinowicz argues that the CRTC should approve all proposals deemed to have worthy content and a reasonable business plan.

The Ottawa-based Canadian Cable Television Association disagrees. In its submissions, the association urged the CRTC to impose a maximum of six channels, to keep within the capacity of most cable carriers. The cable industry is in the process of switching to digital signals from analog. That

will allow cable companies to take advantage—eventually—of digital compression technology, which condenses television signals as they are transmitted, or stored, and therefore multiplies the number of channels a cable system can carry. But the association says that the digital conversion is a long way off, and most of its 672 licenses have the capacity to offer viewers only those last few channels.

The advent of additional specialty channels means that the television-viewing audience is likely to be segmented even further than it is now. But Penny Stevens, vice-president and general manager of Media Buying Services Ltd. in Montreal, says that many advertisers prefer to "reach masses" than to reach smaller audiences. "With specialty channels, you reach a smaller audience but it becomes easier to reach a specific audience," she says. Stevens added that some of the new specialty channels appear designed to appeal to specialized TV viewers, those who watch less than one hour of television a week and who historically have had better education and more disposable income.

Many of the specialty-based applicants are counting on advertisers to supply much of their revenue. Other than the five applicants offering their services strictly on a pay-TV or pay-per-view basis, many of the proposals plan on getting at least half of their revenues from advertising. Still, many of the bidders also anticipate deriving a large proportion of their revenue from the fees they will charge the cable companies carrying their signal. These wholesale rates range anywhere from several cents to several dollars per subscriber per month.

How much will that add to a monthly cable bill? It will depend, in part, on whether each new channel is on the basic cable service, or is included in a bundle of options for which subscribers pay an additional monthly fee. Michael Jeanes, executive director of The Public Interest Advocacy Centre in Ottawa, is adamant that the new channels should be part of a tier of extra options. And he argues that the costs should be clearly spelled out to subscribers' bills. Under the cable industry's current negative option tier billing scheme, subscribers receive an estimated package of options unless they notify the cable company that they do not want them. A January, 1993, study indicated that nearly 70 per cent of those questioned believed they paid only for basic service and 30 per cent thought they had agreed to pay for additional services as well, when, in fact the percentages were just the reverse. "I wouldn't like to see that same old self-guess being played again," says Jeanes.

Whether on basic cable or an extended service, the new channels will change the face of Canadian television. But as the communications industry undergoes a profound technological revolution, the new forms will ultimately be only an appetizer for the TV utopia to come.

BARBARA WICKENS

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Why has Bob Rae become a gambler?

BY ALLAN FOTHERINGHAM

Strange things are happening in politics these days. Jean Chretien has admitted that he cannot conceive of law and order and mixed climates (the cost of cigarettes so young kids can afford them again and ruin their lungs). Clyde Wells confesses that all the reds are gone and an island that depends on fishing for a living has no fish and therefore no fishermen.

Mike Harcourt goes to Europe to convince the nations that he is going to save the euro forest while his own government has brought a big trunk of the timber giant that is cutting it down.

It is in Ontario, however, where the strange gets weird. Ontario has been going rather hoopy for some time, still trying to figure out how it closed a majority risk government that got only 58 per cent of the vote.

The legislature has enveloped Bob Rae, the only politician in the world who has tried to sell us heavy records as a song he composed. His moral balance wheel has gone all wacky, a disease endemic to provincial politicians. What he once denounced he now embraces. What he once found immoral he now finds delightful.

He has just secured a pro basketball franchise for Toronto by buying out our gambling. It is return for dragging his tail from his provincial sports lottery, he blackmailed the American bookies and the local owners out of several millions back for good works and Christmas joy drives and all these things good social democrats believe in.

But what's a social democrat here in Woodsworth and Colborne and Douglas and Front Street and the rest, dragging around with gambling in the shade of it? By now with the devil in the house or Bobby.

The premier, when he was an oppositionist and now Bob Rae, are most of the time, he loved the very idea of lotteries and gambling. He was the vice and the house. He used to preach to the legislature of all Ontario that lotteries are a tax on the poor. As they are. Just observe those pitiful wretches scratching those



stamps in the corner stores, looking for their ticket to Tulsa.

Now the NDP is in power and with a serious case of the shorts, has caused the transition to Bob's second chance to shift grand dramatically. The solution in Ontario is direct state? Apparently it is the solution that put Las Vegas on the map.

The premier is licensing seven casinos, scattered widely across the Rae domain so as to lure in many suckers as possible. Even Toronto, on longer the sole preserve of prime Wynn's seems applied? As Metro Toronto council turned down the offer of three casinos, councillor Derwyn Shea stated that casinos would offer nothing more than law-breaking jobs for card dealers and hotel maids. "What you're really heard is a way to enrich the bookies and pimps and junkies."

What's a nice boy like Bobby Rae doing in a joint like this? Son of an ambassador (born

in a log cabin in the locs), a Rhodes Scholar at Oxford with full Chaucer, now incarcerated in the same breath with hookers and pimps and junkies? All these letters and Montreal intellectuals who gathered in Calgary in 1982 to laud the CCF will be sweeping up their socialist bones.

Under Gambler Rae, all-track betting is now allowed. A Toronto racetrack has been closed and, as hard as it is to believe, other wine-bored souls arrive there every day to stand around and bet on races they watch on direct TV screens. This must be a dull day.

Over the devil arrives, there's no stopping 'em. The Canadian National Exhibition, which the last time I looked displayed coins with champion riders, last summer installed a sappy casino, sold \$12 million worth of chips and cleared \$2.9 million in 23 days.

Mitnick used to go to the CNE, for hugs, now they're on the slippery slide to the hookers, pimps and junkies. How can Bob Rae look his children in the face at night? He makes a stand into the new room in record number and says and for it to Michael Jackson. Just we don't want to parse that, now do we?

The fall from grace of prominent politicians is not a new story, of course. We saw Pierre Trudeau rebuke Bob Stanfield's call for wage and price controls and they immediately adopt them. We saw beer palmer Ralph Klein, the head of the three-dollar worker, ship education grants for his children's children. Charles, the great foe of NAFTA, seems totally comfy with it now.

But Bob the lover of lotteries and casinos is the scariest sight of all. The stories show all things to be hanging away on the border of a late-night political party, making up sinister stories about his opponents.

Now all he needs is a big and a pair of new suspenders, with the old whoreson gone above him. Don't Shoot the Piano Player. He's Doing the Best He Can. It's a huge way from the spies of Oxford and the heart-felt belief that lotteries were a pot on the life people.

Leontine Helinsky went down in the quote books (and who the dinner) with her a sight that "only the little people pay taxes." Now, thanks to Queen's Park, only the little people play lotteries. The little people used to vote CCF, and then NDP. Will they still love Bob Rae who their horse doesn't come home, their number doesn't come up, their bookie talk team doesn't cover the point spread?

These are perilous times for those who are pure in heart but need the mask.



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